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FACT SHEET

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H.R. 1994, the Bipartisan SECURE Act

This Retirement Security Bill Makes It Easier for American Workers to Save For Retirement, While Fixing Big Tax Hikes on Military Survivors and Families Under the GOP Tax Law

Key Points:

- **On Thursday, the House will consider H.R. 1994, The SECURE (Setting Every Community Up for Retirement Enhancement) Act.**
- **The Ways and Means Committee reported this bipartisan bill by voice vote on April 2. The bill includes many provisions to expand the opportunities for Americans to increase their retirement savings.**
- **The bill also includes a provision repealing the GOP Tax Law’s “kiddie tax” provisions, providing urgent tax relief to Gold Star families first sought by the bipartisan H.R. 2481, the Gold Star Family Tax Relief Act, introduced by Rep. Elaine Luria (D-VA) on May 2 and which now has 145 cosponsors. It fixes a consequence of the GOP Tax Law that is causing Gold Star families to see drastic tax increases.**

Numerous Bipartisan Provisions to Make It Easier for American Workers to Save For Retirement

- This bill includes numerous provisions to expand the opportunities for Americans to save for retirement.
- **These retirement security provisions in the bill are supported by numerous organizations, including AARP, SEIU, TIAA, National Association of Women Business Owners, the Women’s Institute for a Secure Retirement, NTCA-The Rural Broadband Association, National Council of Farmer Cooperatives, Church Alliance, Girl Scouts, Boy Scouts of America, Air Line Pilots Association, American Council of Life Insurance (ACLI), and Leadership for Advanced Life Underwriting (AALU).**
- **Making It Easier for Small Businesses to Offer Retirement Plans to Employees:** The bill makes it easier for small businesses to offer retirement plans to employees by eliminating outdated barriers to the use of Multiple Employer Plans (MEPs) and improving the quality of MEP service providers. As a result of this provision, which has the support of AARP, it is estimated that 600,000 to 700,000 new retirement accounts will be formed.
- **Helping Provide Retirement Benefit Opportunities to Home Care Workers:** A quirk in current law prevents many home care workers from participating in a 401(k) plan or in savings with an IRA. This provision fixes this glitch and would allow home care workers – 90 percent of which are women, and more than half women of color – to contribute to a defined contribution plan or IRA. Thanks to this provision, about 180,000 California residents will no longer have to worry about this limitation on their ability to save in a plan or IRA. In Washington State, between 15,000 and 30,000 workers are currently saving in a defined contribution plan and will be kicked out if the Congress doesn’t pass the SECURE Act.

- **Creating A Small Employer Automatic Enrollment Credit:** Automatic enrollment is shown to increase employee participation and make it easier for workers to participate in 401(k) plans. This provision creates a new tax credit of up to \$500 per year to small employers to defray start-up costs for new 401(k) plans that include automatic enrollment.
- **Allowing Long-Time, Part-Time Workers to Participate in A 401(k) Plan:** This provision requires employers to allow long-term, part-time workers to participate in their 401(k) plans. As women are more likely to work part-time than men, the provision is particularly important for women in the workforce. This provision is supported by the Women’s Institute for a Secure Retirement.
- **CSEC PBGC Premium Relief:** Many charities and cooperative associations provide their employees with retirement benefits through defined benefit multiple employer pension plans (“CSEC plans”). CSEC plans are subject to funding rules that were in effect before the Pension Protection Act was enacted in 2006. This provision provides that the PBGC premiums for CSEC plans also be set at the figures in existence before 2006. This provision is important to Girl Scouts of the USA, Boy Scouts of America, Christian Schools International, the Jewish Federation of North America, and Rural Co-Ops.
- **Closing A Loophole Used by the Wealthy:** The bill includes a provision shutting down the so-called stretch IRA. If you die and still have money in your retirement account, current law allows the money left in the account to be distributed across the life of your beneficiary, who may be much, much younger than yourself. This permits the beneficiary to enjoy tax-favored accumulation of earnings over a long period of time. Hence, the bill generally requires retirement savings accounts to be distributed within ten years of the death of the accountholder, subject to certain exceptions.

Fixing the Drastic Tax Hikes on Military Survivors and Families Under the GOP Tax Law

- H.R. 1994 also repeals the GOP Tax Law’s “kiddie tax” provisions, providing urgent tax relief to Gold Star families first sought by the bipartisan H.R. 2481, the Gold Star Family Tax Relief Act, which was introduced by Rep. Elaine Luria (D-VA) on May 2 and which now has 145 cosponsors.
- **These provisions fix a consequence of the GOP Tax Law that is causing Gold Star families (and certain other groups) to see drastic tax increases.**
- **The provisions to fix the large tax hikes on Gold Star families are supported by several veterans’ groups including the American Legion, Veterans of Foreign Wars, Tragedy Assistance Program for Survivors (TAPS), National Military Family Association, Gold Star Wives of America, Inc., Military Officers Association of America, The American Legion, Paralyzed Veterans of America, Wounded Warrior Project, The Retired Enlisted Association, Commissioned Officers Association of the U.S. Public Health Service, Army Aviation Association of America, U.S. Coast Guard Chief Petty Officers Association, Non Commissioned Officers Association, Association of Military Surgeons of the United States, and Jewish War Veterans.**
- **Relatives of fallen service members receive two forms of compensation to help them cope in the aftermath of their loss. In order to ensure that the family receives all of the benefits they have earned, spouses of the fallen sometimes sign over one of the benefits to their children. Because the 2017 GOP tax law brought changes to how children’s assets were taxed, Gold Star families who formerly were obligated to pay 12 to 15 percent in taxes on such income saw their tax rate jump to as much as 37 percent, the tax rate for trusts and estates.**
- **The SECURE Act’s provision fixes this problem by repealing the “kiddie tax” provisions of the GOP Tax Law. This results in taxing the income at the child’s parent’s tax rate, rather than at the rate for trusts and estates, thereby significantly reducing the family’s tax burden.**

- **This provision will also provide tax relief to others affected by the GOP Tax Law’s so-called “kiddie tax” provisions – fixing the unfair and unexpected higher tax rates that were also imposed on tribal government payments to children, certain scholarships and fellowship grants, payments made to children of fallen first responders, and other payments to children.**

EXCERPTS FROM STATEMENTS FROM VETERANS’ GROUPS IN SUPPORT OF LEGISLATION PROVIDING TAX RELIEF FOR GOLD STAR FAMILIES

Veterans of Foreign Wars

“On behalf of the 1.6 million members of the Veterans of Foreign Wars of the United States and its Auxiliary, I am proud to offer our support for H.R. 4281, the Gold Star Family Tax Relief Act.”

Tragedy Assistance Program for Survivors (TAPS)

“The Tragedy Assistance Program for Survivors (TAPS), the leading national organization caring for the families of fallen U.S. military service members, supports the bipartisan Gold Star Family Tax Relief Act, introduced by Rep. Elaine Luria (D-VA). TAPS greatly appreciates Congress’ efforts to change the tax rate on survivor benefits designated to children and make it retroactive.”

National Military Family Association

“The National Military Family Association has long advocated for the quality of life and financial wellbeing of those who have served our Nation and their families. For that reason, our Association supports H.R. 2481, the Gold Star Family Tax Relief Act, which seeks to correct an error in the 2017 tax law and repeal the Kiddie Tax. ... Due to a recent change in tax law, known as the Kiddie Tax, surviving families who were formerly obligated to pay 12 to 15 percent in taxes on their earned benefits are now being taxed up to 37 percent, leaving them thousands of dollars in tax debt. This important bill would rightfully repeal the Kiddie Tax and reinstate military survivor benefits to the previous tax rate.”

Gold Star Wives of America, Inc.

“I am proud of the bipartisan effort that Congresswoman Elaine Luria is leading in the U.S. House of Representatives to ensure that surviving spouses and the children of fallen service members receive the compensation that was earned through service to our country. As a military veteran herself, Congresswoman Luria is well aware of the hardships of many military spouses and their families. H.R. 2481, the Gold Star Family Tax Relief Act will ensure that our members and their children will receive the hard-earned compensation their loved ones earned through their sacrifice and that these families will not face additional financial burdens.”

American Legion

“The American Legion wants to thank Rep. Luria for her leadership and members of Congress on both sides of the aisle for their important work on the Gold Star Family Tax Relief Act. The American Legion encourages quick action so certainty can be provided to these families and deserves to be above partisan politics.”

Military Officers Association of America

“This important legislation corrects an unforeseen consequence of the 2017 Tax Cuts and Jobs Act’s treatment of military survivor benefits. Because of the law’s change, a child’s unearned income now is taxed like a trust or an estate, instead of at his or her parents’ marginal rate. ... Correcting this financial inequity for America’s Gold Star families should be one of Congress’s top priorities. ... MOAA pledges its full support for H.R. 2481.”