

THE TAX CUTS AND JOBS ACT (TCJA) BIPARTISAN BUDGET ACT OF 2018



Test Your Knowledge

- 1. TCJA changes the rollover provisions for loan offsets in a tax-qualified plan due to separation from employment or plan termination. Which of the following reflects the amount of time the affected employee now has to complete a rollover of a loan offset:**
 - A. 60 days from the date of the loan offset
 - B. The loan rollover provision was eliminated
 - C. Until the federal due date (including extensions) for the taxable year in which the plan loan offset occurs
- 2. Which of the following payments are exempt from the 10% penalty for early withdrawal and can be included in income ratably over a three-year period or paid back to the plan as an eligible rollover contribution:**
 - A. An early withdrawal by someone who really needs the money
 - B. There is no relief for early withdrawal under any circumstances and the recipient must include the entire amount in income in the year received
 - C. A withdrawal up to \$100,000 if made by a participant whose primary residence was located in an area that was declared a federal disaster area during 2016 or 2017 and who sustained an economic loss related to the disaster
- 3. If a plan participant suffers a casualty loss due to storm damage, the participant may request a hardship withdrawal under the following conditions:**
 - A. If the loss is attributable to a storm where more than 20 inches of rain fell in a 24 hour period or a fire occurred within a 20 mile radius of the participant's primary residence
 - B. If the loss is valued at more than 40% of the value of the property regardless of whether it is a primary residence
 - C. If the loss impacts the participant's primary residence and is attributable to a federally-declared disaster
- 4. The TCJA affects the \$1 million executive compensation limit for publicly held companies in the following manner.**
 - A. The act eliminates the exceptions for performance-based compensation and commissions from the \$1 million deduction limit under Internal Revenue Code section 162(m)
 - B. The \$1 million deduction limit will also apply to certain foreign corporations and large private corporations
 - C. The act provides a transition rule for compensation provided under binding agreements entered into before November 2, 2017
 - D. All of the above
- 5. The TCJA expands the 162(m) definition of "covered employee" to:**
 - A. Include anyone who was the CEO or CFO any time during the year, plus the three other highest-paid employees as of the last day of the taxable year
 - B. A covered employee in the 2017 and later taxable years of the employer remains a covered employee indefinitely, including after retirement or death
 - C. All of the above
- 6. The TCJA has the following impact on executive compensation paid by tax-exempt organizations.**
 - A. Tax-exempt organizations will pay a 21% excise tax on compensation over \$1 million paid to their five highest-paid employees
 - B. Beginning in 2018 the provision will apply to excess parachute payments provided to covered employees
 - C. All of the above

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7. For plan years beginning after December 31, 2018*, employees who qualify and take a hardship withdrawal will:

- A. No longer be subject to the 6-month prohibition on contributions
- B. Be allowed to withdraw accumulated contributions, earnings and matching contributions
- C. Be able to withdraw Qualified Matching Contributions (QMACs) and Qualified Nonelective Contributions (QNECs) and profit sharing contributions
- D. Not need to first obtain all non-taxable loans available under the plan (and any other plans maintained by the employer) before requesting a hardship withdrawal has been removed
- E. All of the above

8. Which changes may require amendments to the current plan document or compensation arrangement?

- A. Disaster Relief distributions for 2016 and 2017 and California wildfires and expanded loans from a tax-qualified plans for 2017 disaster areas and California wildfires
- B. New safe harbor hardship distribution rules for distributions from a tax-qualified plan
- C. All of the above

9. What is/was the due date for making conforming plan amendments in question 8?

- A. December 31, 2018 for calendar year plans (2016 disasters)
- B. December 31, 2019 for calendar year plans (2017 disasters and California wildfires)
- C. All of the above

*A provision of H.R. 1892 which President Trump signed into legislation on Friday, February 9, 2018.

SCORING KEY:

- 1, 2, 3 = 10 points for C; zero points for A and B.
- 4, 5, 6, 7, 8, 9 = 10 points for "All of the above"; 5 points for any other response.

Total the answers based on the key above.

80-90 Points: You really know your stuff. You should feel confident in your knowledge of the changes in the tax code as they relate to qualified and non-qualified plans. While there are still unknowns in how this will be implemented, keep on top of the subject and be ready to take advantage of the new provisions. Newport Group is here to help when you are ready to make changes to the plan, contact your regional representative or submit a request for a proposal from our team here: [Request a Proposal](#).

50-79 Points: You have a good working knowledge of the changes in the tax code. There are many unknowns that will surface when the law is implemented. Now is the perfect time to dig deeper and improve your knowledge so you are ready to take advantage of the new provisions. Newport Group is here to help when you are ready to make changes to the plan, contact your regional representative or submit a request for a proposal from our team here: [Request a Proposal](#).

0-49 Points: The new bill introduces many changes and while the exact implementation is not yet known, it is a good idea to keep up on the changes so you are ready to take advantage of any opportunities or requirements created by the change in tax code. It is not too late to learn more. Newport Group is here to help when you are ready to make changes to the plan, contact your regional representative or submit a request for a proposal from our team here: [Request a Proposal](#).

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