

119TH CONGRESS
1ST SESSION

H. R. 6722

To amend the Internal Revenue Code of 1986 to provide rules for automatic contribution retirement plans and arrangements.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 15, 2025

Mr. NEAL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide rules for automatic contribution retirement plans and arrangements.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Automatic IRA Act of 2025”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

- Sec. 1. Short title; table of contents, etc.
- Sec. 2. Automatic contribution plan or arrangement.
- Sec. 3. Credit for certain small employer automatic IRA arrangements.
- Sec. 4. Treatment of automatic IRA arrangements under State law.

1 (c) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this subtitle an
 3 amendment or repeal is expressed in terms of an amend-
 4 ment to, or repeal of, a section or other provision, the ref-
 5 erence shall be considered to be made to a section or other
 6 provision of the Internal Revenue Code of 1986.

7 **SEC. 2. AUTOMATIC CONTRIBUTION PLAN OR ARRANGE-**
 8 **MENT.**

9 (a) AUTOMATIC CONTRIBUTION PLAN OR ARRANGE-
 10 MENT.—

11 (1) IN GENERAL.—Section 414 is amended by
 12 adding at the end the following:

13 “(dd) AUTOMATIC CONTRIBUTION PLAN OR AR-
 14 RANGEMENT.—For purposes of this title—

15 “(1) IN GENERAL.—The term ‘automatic con-
 16 tribution plan or arrangement’ means—

17 “(A) a defined contribution plan that—

18 “(i) is described in clause (i), (ii), or
 19 (iv) of section 219(g)(5)(A),

20 “(ii) includes a qualified cash or de-
 21 ferred arrangement or a salary reduction
 22 arrangement, and

23 “(iii) meets the notice, eligibility, con-
 24 tribution, fee, and lifetime income require-

1 ments of paragraphs (2), (3), (4), (6), and
2 (7), respectively,

3 “(B) an automatic IRA arrangement de-
4 scribed in paragraph (8),

5 “(C) an arrangement described in section
6 408(p) that meets the notice, contribution, in-
7 vestment, and fee requirements described in
8 paragraphs (2), (4), (5), (6), respectively, and

9 “(D) a plan described in clause (i), (ii),
10 (iv), (v), or (vi) of section 219(g)(5)(A) that is
11 established and maintained by an employer as
12 of the date of enactment of the Automatic IRA
13 Act of 2025, or a plan described in section
14 219(g)(5)(A)(iv) that is not subject to title I of
15 the Employee Retirement Income Security Act
16 of 1974 and offers annuity contracts, or makes
17 custodial accounts available to employees, as of
18 such date.

19 “(2) NOTICE REQUIREMENTS.—A plan or ar-
20 rangement shall be treated as meeting the notice re-
21 quirements of this paragraph with respect to an em-
22 ployee if the plan or arrangement meets notice re-
23 quirements similar to the notice requirements of sec-
24 tion 401(k)(13)(E).

25 “(3) ELIGIBILITY REQUIREMENTS.—

1 “(A) IN GENERAL.—The requirements of
2 this paragraph shall be treated as met if all em-
3 ployees of the employer are eligible to partici-
4 pate in an automatic contribution plan or ar-
5 rangement maintained or facilitated by the em-
6 ployer.

7 “(B) CERTAIN EXCLUSIONS.—The fol-
8 lowing employees may be excluded from consid-
9 eration in determining whether the require-
10 ments of this paragraph are met:

11 “(i) INDIVIDUALS LESS THAN 21
12 YEARS OLD.—Any employee who has not
13 attained age 21.

14 “(ii) CERTAIN OTHER EMPLOYEES.—
15 Any employee described in section
16 410(b)(3).

17 “(iii) SERVICE REQUIREMENTS.—Any
18 employee who has completed neither of the
19 following periods of service with the em-
20 ployer maintaining or facilitating the plan
21 or arrangement:

22 “(I) The period permitted under
23 section 410(a)(1) (determined without
24 regard to subparagraph (B)(i) there-
25 of).

1 “(II) A period of 2 consecutive
2 12-month periods during each of
3 which the employee has at least 500
4 hours of service.

5 For purposes of subclause (II), 12-month
6 periods shall be determined in the same
7 manner as under the last sentence of sec-
8 tion 410(a)(3)(A).

9 “(iv) CERTAIN STUDENTS IN CASE OF
10 A 403(b) PLANS.—In the case of an annu-
11 ity contract described in section 403(b),
12 employees who are students, but only to
13 the extent such employees may be excluded
14 under the last sentence of 403(b)(12)(A).

15 “(C) SPECIAL RULES FOR CONTROLLED
16 GROUPS.—All eligible employees of an employer
17 need not be eligible to participate in the same
18 automatic contribution plan or arrangement.
19 For purposes of this subsection, the term ‘em-
20 ployer’ shall include all employers treated as a
21 single employer under subsection (b), (c), (m),
22 or (o) of section 414.

23 “(D) ENTRY DATES.—Rules similar to the
24 rules of section 410(a)(4) shall apply with re-
25 spect to employees who have satisfied the age

1 and service requirements referenced in subpara-
2 graph (B) and who are otherwise entitled to
3 participate in a plan or arrangement.

4 “(E) AUTOMATIC IRAS FOR NON-EMPLOY-
5 EES.—The Secretary shall by regulation or
6 other guidance provide for making available
7 automatic IRAs to individuals who provide serv-
8 ices that do not constitute employment.

9 “(4) CONTRIBUTION REQUIREMENTS.—

10 “(A) IN GENERAL.—The requirements of
11 this paragraph shall be treated as met if, under
12 the plan or arrangement, each employee eligible
13 to participate in the plan or arrangement is
14 treated as having elected to have the employer
15 make elective contributions in an amount equal
16 to the qualified percentage of compensation.

17 “(B) ELECTION OUT.—The election treat-
18 ed as having been made under subparagraph
19 (A) shall cease to apply with respect to any em-
20 ployee if such employee makes an affirmative
21 election—

22 “(i) not to have such contributions
23 made, or

1 “(ii) to make elective contributions at
2 a level specified in such affirmative elec-
3 tion.

4 “(C) QUALIFIED PERCENTAGE.—For pur-
5 poses of this paragraph, and except as provided
6 in subparagraph (D)(i), the term ‘qualified per-
7 centage’ means, with respect to any employee,
8 any percentage determined under the plan or
9 arrangement if such percentage is applied uni-
10 formly, does not exceed 15 percent (10 percent
11 during the period described in clause (i)), and
12 is at least—

13 “(i) 6 percent during the period be-
14 ginning on the date on which the first elec-
15 tive contribution described in subpara-
16 graph (A) is made with respect to such
17 employee and ending on the last day of the
18 first plan year which begins after such
19 date,

20 “(ii) 7 percent during the first plan
21 year following the plan year described in
22 clause (i),

23 “(iii) 8 percent during the first plan
24 year following the plan year described in
25 clause (ii),

1 “(iv) 9 percent during the first plan
2 year following the plan year described in
3 clause (iii), and

4 “(v) 10 percent during any subse-
5 quent plan year.

6 “(D) RULES RELATING TO AUTOMATIC
7 IRA ARRANGEMENTS.—For purposes of this
8 paragraph—

9 “(i) QUALIFIED PERCENTAGE.—In
10 the case of an automatic IRA arrange-
11 ment, the term ‘qualified percentage’
12 means, with respect to an employee for any
13 taxable year, a percentage equal to the
14 minimum percentage described for the tax-
15 able year under subparagraph (C) deter-
16 mined by substituting ‘taxable year of the
17 employee’ for ‘the plan year’ each place it
18 appears.

19 “(ii) PAYROLL DEDUCTION CONTRIBU-
20 TIONS.—In the case of an automatic IRA
21 arrangement, any reference in this para-
22 graph to elective contributions shall be
23 treated as including a reference to payroll
24 deduction contributions.

25 “(5) INVESTMENT REQUIREMENTS.—

1 “(A) IN GENERAL.—

2 “(i) DEFAULT INVESTMENTS.—A plan
3 or arrangement shall be treated as meeting
4 the requirements of this paragraph if in
5 the absence of an investment election by a
6 participant or beneficiary, amounts are in-
7 vested only in the class of assets or funds
8 described in subparagraph (B).

9 “(ii) REQUIRED INVESTMENT OP-
10 TIONS IN AUTOMATIC IRA ARRANGE-
11 MENT.—In addition to the default invest-
12 ment requirement of clause (i), an auto-
13 matic IRA arrangement shall be treated as
14 meeting the requirements of this para-
15 graph if the arrangement provides the op-
16 tion of investing in each of the classes of
17 assets or funds described in subparagraphs
18 (B), (C), (D), and (E), and no other in-
19 vestment options.

20 “(B) TARGET DATE/LIFECYCLE OPTION.—

21 The class of assets or funds described in this
22 clause is the class of assets or funds that con-
23 stitutes an investment fund product or model
24 portfolio described in Department of Labor reg-
25 ulation section 2550.404c-5(e)(4)(i).

1 “(C) PRINCIPAL PRESERVATION.—The
2 class of assets or funds described in this clause
3 is the class of assets or funds that is designed
4 to protect the principal of the individual on an
5 ongoing basis.

6 “(D) BALANCED OPTION.—The class of
7 assets or funds described in this clause is the
8 class of assets or funds that constitutes a quali-
9 fied default investment alternative under De-
10 partment of Labor regulation section
11 2550.404c-5(e)(4)(ii).

12 “(E) OTHER.—Any other class of assets or
13 funds determined by the Secretary to be a
14 qualified investment for purposes of this sec-
15 tion.

16 “(6) FEE REQUIREMENTS.—In the case of any
17 plan or arrangement not otherwise subject to title I
18 of the Employee Retirement Income Security Act of
19 1974, under the fee requirements of this paragraph,
20 no participant, beneficiary, employer, individual re-
21 tirement account, plan, or arrangement may be
22 charged unreasonable fees or expenses.

23 “(7) LIFETIME INCOME REQUIREMENTS.—

24 “(A) IN GENERAL.—Except in the case of
25 a plan maintained by an eligible employer (as

1 defined in section 408(p)(2)(C)(i)), a plan or
2 arrangement shall be treated as meeting the
3 lifetime income requirement described in this
4 paragraph if the plan or arrangement permits
5 participants to elect to receive at least 50 per-
6 cent of their vested account balance in a form
7 of distribution described in section
8 401(a)(38)(B)(iii).

9 “(B) EXCEPTION.—

10 “(i) IN GENERAL.—This paragraph
11 shall not apply with respect to any partici-
12 pant whose vested account balance is
13 \$200,000 or less at the time of distribu-
14 tion.

15 “(ii) NOT TREATED AS DISCRIMINA-
16 TORY IN FAVOR OF HIGHLY COMPENSATED
17 EMPLOYEES.—A plan shall not be treated
18 as failing to meet the requirements of sec-
19 tion 401(a)(4) solely by reason of applying
20 the exception of clause (i) to the require-
21 ments of subparagraph (A).

22 “(8) AUTOMATIC IRA ARRANGEMENT.—

23 “(A) IN GENERAL.—For purposes of this
24 paragraph, the term ‘automatic IRA arrange-
25 ment’ means, with respect to an employer (and

1 trustee or issuer designated by the employer),
2 an arrangement facilitated by the employer
3 which meets the requirements of this paragraph
4 and the contribution, investment, and fee re-
5 quirements of paragraphs (4), (5), and (6), re-
6 spectively, and under which an employee—

7 “(i) may elect—

8 “(I) to have the employer make
9 payroll deduction deposits on behalf of
10 the individual as payroll deduction
11 contributions to an individual retire-
12 ment account, or

13 “(II) to have such payments paid
14 to the employee directly in cash,

15 “(ii) is treated as having made the
16 election under clause (i)(I) at the level de-
17 termined under paragraph (4)(D) until the
18 individual makes an affirmative election
19 not to have such contributions made (or to
20 have such contributions made at a level
21 specified in the affirmative election), and

22 “(iii) may elect to modify prospec-
23 tively the level at which contributions are
24 made and the manner in which such con-
25 tributions are invested for such year.

1 “(B) ADMINISTRATIVE REQUIREMENTS.—

2 “(i) PAYMENTS.—The requirements of
3 this paragraph shall not be treated as met
4 with respect to any automatic IRA ar-
5 rangement unless the employer makes the
6 payments elected or treated as elected
7 under subparagraph (A)(i) on or before the
8 last day of the month following the month
9 in which the compensation otherwise would
10 have been payable to the employee in cash.

11 “(ii) NOTICE OF ELECTION PERIOD.—
12 The requirements of this paragraph shall
13 not be treated as met with respect to any
14 year unless the employer notifies each em-
15 ployee eligible to participate, within a rea-
16 sonable period of time before the beginning
17 of such year (and, for the first year the
18 employee is so eligible, a reasonable period
19 of time before the first day such employee
20 is so eligible), of—

21 “(I) the opportunity to elect to
22 have contributions made, or to be
23 treated as so electing, under clause
24 (i)(I), or (ii), of subparagraph (A),

1 “(II) the opportunity to elect not
2 to have payroll deduction contribu-
3 tions made or to have such contribu-
4 tions made at a different percentage
5 or in a different amount, and

6 “(III) the opportunity under sub-
7 paragraph (A)(iii) to modify the man-
8 ner in which such amounts are in-
9 vested for such year.

10 The employer shall provide such notice in
11 paper form or, if the employee so elects, in
12 electronic form.

13 “(C) ELIGIBILITY REQUIREMENTS.—

14 “(i) IN GENERAL.—The requirements
15 of this paragraph shall not be treated as
16 met with respect to an automatic IRA ar-
17 rangement facilitated by the employer un-
18 less all employees of the employer are eligi-
19 ble to participate in the arrangement.

20 “(ii) CERTAIN EXCLUSIONS.—The fol-
21 lowing employees may be excluded from
22 consideration in determining whether the
23 requirements of this paragraph are met:

1 “(I) INDIVIDUALS LESS THAN 18
2 YEARS OLD.—Any employee who has
3 not attained age 18.

4 “(II) CERTAIN OTHER EMPLOY-
5 EES.—Any employee described in sec-
6 tion 410(b)(3).

7 “(III) SERVICE REQUIRE-
8 MENTS.—Any employee who has not
9 completed at least 3 months of service
10 with the employer facilitating the ar-
11 rangement.

12 “(iii) SPECIAL RULES FOR CON-
13 TROLLED GROUPS.—For purposes of this
14 subparagraph, all eligible employees of an
15 employer need not be eligible to participate
16 in the same arrangement. For purposes of
17 this clause, the term ‘employer’ shall in-
18 clude all employers treated as a single em-
19 ployer under subsection (b), (c), (m), or
20 (o) of section 414.

21 “(iv) AUTOMATIC IRAS FOR NON-EM-
22 PLOYEES.—The Secretary shall by regula-
23 tion or other guidance provide for making
24 available automatic IRAs to individuals

1 who provide services that do not constitute
2 employment.

3 “(D) LIMITS ON CONTRIBUTIONS.—An
4 employer shall not be treated as failing to sat-
5 isfy the requirements of this section or any
6 other provision of this title merely because—

7 “(i) aggregate payroll deduction con-
8 tributions by or on behalf of an individual
9 to individual retirement accounts of the in-
10 dividual exceed the deductible amount in
11 effect under section 219(b)(5) (determined
12 without regard to subparagraph (B) there-
13 of) for any taxable year in which any pay-
14 roll deduction contributions by the em-
15 ployer under an automatic IRA arrange-
16 ment are made, or

17 “(ii) the employer chooses to limit the
18 payroll deduction contributions under this
19 subsection on behalf of an employee for
20 any calendar year in a manner reasonably
21 designed to avoid exceeding such deduct-
22 ible amount.

23 “(E) DEFAULT TREATMENT AS ROTH
24 IRA.—An employee on whose behalf payroll de-
25 duction contributions are made to an individual

1 retirement account under subparagraph (A)
2 may elect, at such time and in such manner
3 and form as the Secretary may prescribe,
4 whether to treat the individual retirement ac-
5 count as designated as a Roth IRA. If no such
6 election is made, the account shall be treated as
7 designated as a Roth IRA.

8 “(F) DEPOSITS TO INDIVIDUAL RETIRE-
9 MENT ACCOUNTS OF A DESIGNATED TRUSTEE
10 OR ISSUER.—

11 “(i) IN GENERAL.—An employer shall
12 not be treated as failing to satisfy the re-
13 quirements of this section, or any other
14 provision of this title, merely because the
15 employer makes all payroll deduction con-
16 tributions on behalf of all employees (or all
17 employees who do not specify an individual
18 retirement account, trustee, or issuer to re-
19 ceive the contributions) to individual retire-
20 ment accounts specified in clause (ii).

21 “(ii) INDIVIDUAL RETIREMENT AC-
22 COUNTS OTHER THAN THOSE SELECTED
23 BY EMPLOYEE.—

24 “(I) IN GENERAL.—An employer
25 may elect to have payroll deduction

1 contributions for all employees partici-
2 pating in an automatic IRA arrange-
3 ment made to individual retirement
4 accounts of a trustee or issuer under
5 the arrangement that has been des-
6 ignated by the employer, but only if
7 the provider of such accounts, and the
8 investments therein, are identified on
9 the website established under sub-
10 paragraph (G)(iii).

11 “(II) NOTICE.—Subclause (I)
12 shall not apply unless each participant
13 is notified in writing that the partici-
14 pant may direct the participant’s bal-
15 ance be transferred without cost or
16 penalty to another individual retire-
17 ment account established by or on be-
18 half of the participant. Such notice
19 shall be in paper form or, if the em-
20 ployee so elects, electronic form.

21 “(iii) EMPLOYERS MAY PERMIT EM-
22 PLOYEE TO CHOOSE IRA.—If the employer
23 so elects, the arrangement may provide for
24 an employee election to have payroll deduc-
25 tion contributions made to any individual

1 retirement account specified by the em-
2 ployee.

3 “(iv) REGULATIONS.—The Secretary
4 may issue such regulations as are nec-
5 essary to carry out the purposes of this
6 subparagraph, including establishment of
7 procedures to assist employers and individ-
8 uals in connecting with certified and avail-
9 able providers of individual retirement ac-
10 counts and to communicate to individuals
11 the importance of investment diversifica-
12 tion.

13 “(G) MODEL NOTICE, ETC.—The Secretary
14 shall—

15 “(i) provide a model notice, written in
16 a manner calculated to be understandable
17 to the average worker, that is simple to
18 use—

19 “(I) to notify employees of the
20 requirement under this section for the
21 employer to provide certain employees
22 with the opportunity to participate in
23 an automatic IRA arrangement, and

24 “(II) to satisfy the requirements
25 of subparagraph (B)(ii),

1 “(ii) provide model forms for enroll-
2 ment, including automatic enrollment, in
3 an automatic IRA arrangement,

4 “(iii) establish a website or other elec-
5 tronic means that small employers and in-
6 dividuals can access and use to obtain in-
7 formation on automatic IRA arrangements
8 (including clear, standardized, easy-to-com-
9 pare information on fees and expenses, in-
10 vestment options and returns, and defaults
11 in a format prescribed by the Secretary)
12 and to obtain notices and forms, and

13 “(iv) establish a process—

14 “(I) for the provider of an auto-
15 matic IRA arrangement to dem-
16 onstrate to the Secretary that the ar-
17 rangement is described in this para-
18 graph and meets the requirements
19 specified in paragraph (1)(B), and

20 “(II) to certify any arrangement
21 that the Secretary determines so dem-
22 onstrates, to regularly monitor compli-
23 ance and update such determinations
24 and certifications, and to list all ar-
25 rangements so certified on the website

1 described in clause (iii) as appropriate
2 for use by employers and participants.

3 The information referred to in clause (iii) shall
4 be provided in a manner designed to assist em-
5 ployers and providers by facilitating the identi-
6 fication by employers of private-sector providers
7 of individual retirement accounts, including the
8 provider's investment options, that are appro-
9 priate for use in automatic IRA arrangements.

10 “(H) CERTAIN STATE-BASED ARRANGE-
11 MENTS.—An arrangement facilitated by an em-
12 ployer shall not fail to be treated as an auto-
13 matic IRA arrangement merely because such
14 arrangement is required, provided for, facili-
15 tated, or otherwise offered, in whole or in part,
16 by a State (or a political subdivision, agency, or
17 instrumentality thereof).

18 “(I) INDIVIDUAL RETIREMENT AC-
19 COUNT.—For purposes of this paragraph, the
20 term ‘individual retirement account’ shall have
21 the meaning given such term by section 408(a),
22 except that such term shall include individual
23 retirement annuities (as defined in section
24 408(b)).”.

1 (2) OTHER RULES APPLICABLE TO AUTOMATIC
2 IRA ARRANGEMENTS.—

3 (A) PENALTY FOR FAILURE TO TIMELY
4 REMIT CONTRIBUTIONS TO AUTOMATIC IRA AR-
5 RANGEMENTS.—Section 4975(c) is amended by
6 adding at the end the following new paragraph:

7 “(8) SPECIAL RULE FOR AUTOMATIC IRA AR-
8 RANGEMENTS.—For purposes of paragraph (1), if
9 an employer is required under an automatic IRA ar-
10 rangement (as defined in section 414(dd)(1)(B)) to
11 deposit amounts withheld from an employee’s com-
12 pensation into an individual retirement account
13 (within the meaning of section 414(dd)(8)(I)) but
14 fails to do so within the time prescribed under sec-
15 tion 414(dd)(8)(B)(i), such amounts shall be treated
16 as assets of the individual retirement account.”.

17 (B) WAIVER OF EARLY WITHDRAWAL PEN-
18 ALTY FOR CERTAIN DISTRIBUTIONS FOLLOWING
19 INITIAL ELECTION TO PARTICIPATE IN AUTO-
20 MATIC IRA ARRANGEMENT.—Section 72(t) is
21 amended by adding at the end the following
22 new paragraph:

23 “(12) DISTRIBUTION FOLLOWING INITIAL
24 ELECTION TO PARTICIPATE IN AUTOMATIC IRA AR-

1 RANGEMENT.—Paragraph (1) shall not apply in the
2 case of a distribution—

3 “(A) to an individual from an individual
4 retirement account (within the meaning of sec-
5 tion 414(dd)(8)(I)) that is part of an automatic
6 IRA arrangement (as defined in section
7 414(dd)(8)(A)), and

8 “(B) made not later than 90 days after the
9 individual is first treated under clause (ii) of
10 section 414(dd)(8)(A) as having made an elec-
11 tion under clause (i)(I) of such section.”.

12 (C) AUTOMATIC IRA ADVISORY GROUP.—

13 (i) IN GENERAL.—Not later than 90
14 days after the date of the enactment of
15 this Act, the Secretary of the Treasury
16 shall establish an Automatic IRA Advisory
17 Group (hereinafter in this subparagraph
18 referred to as the “Advisory Group”). The
19 purpose of the Advisory Group shall be to
20 make recommendations, advise, and assist
21 in the Secretary’s implementation and ad-
22 ministration of paragraphs (5), (6), and
23 (8) of section 414(dd) of the Internal Rev-
24 enue Code of 1986 with respect to auto-

1 matic IRA arrangements in the best finan-
2 cial interest of savers, including—

3 (I) the procedures and criteria
4 for the periodic certification, website
5 listing, and monitoring of arrange-
6 ments and investment options that
7 meet the requirements of those para-
8 graphs,

9 (II) user-friendly disclosure re-
10 regarding investment returns and risks,
11 terms, fees, and expenses to facilitate
12 comparison,

13 (III) the use of low-cost invest-
14 ment options,

15 (IV) the appropriate use of elec-
16 tronic and paper methods to provide
17 notice and disclosure,

18 (V) any possible learnings or effi-
19 ciencies based on the Secretary's pro-
20 cedures and experience in approving
21 nonbank individual retirement account
22 trustees, and

23 (VI) such other related matters
24 as may be determined by the Sec-
25 retary.

1 (ii) MEMBERSHIP.—The Advisory
2 Group shall consist of not more than 15
3 members and shall be composed of—

4 (I) such individuals as the Sec-
5 retary may consider appropriate to
6 provide expertise regarding the finan-
7 cial needs and challenges of lower-
8 and middle-income households,

9 (II) at least one individual who is
10 an expert in retirement-related con-
11 sumer protections or who represents
12 the general public, and

13 (III) at least one representative
14 of the Department of the Treasury.

15 (iii) COMPENSATION.—The members
16 of the Advisory Group shall serve without
17 compensation.

18 (iv) ADMINISTRATIVE SUPPORT.—The
19 Department of the Treasury shall provide
20 appropriate administrative support to the
21 Advisory Group, including technical assist-
22 ance. The Advisory Group may use the
23 services and facilities of such Department,
24 with or without reimbursement, as deter-
25 mined by such Department.

1 (v) REPORT BY ADVISORY GROUP.—

2 Not later than 1 year after the date of the
3 enactment of this Act, the Advisory Group
4 shall submit to the Secretary of the Treas-
5 ury a report containing its recommenda-
6 tions. The Secretary may request that the
7 Advisory Group submit subsequent reports.

8 (3) CONFORMING AMENDMENT RELATING TO
9 QUALIFIED CASH OR DEFERRED ARRANGEMENTS.—

10 Section 401(k)(15)(B)(i) is amended by inserting
11 “or section 414(dd)(3)(B)(iii)(II)” after “paragraph
12 (2)(D)(ii)” in the matter preceding subclause (I)
13 thereof.

14 (b) EXCISE TAX FOR FAILURE TO MAINTAIN OR FA-
15 CILITATE AUTOMATIC CONTRIBUTION PLANS OR AR-
16 RANGEMENTS.—

17 (1) IN GENERAL.—Chapter 43 is amended by
18 adding at the end the following new section:

19 **“SEC. 4980J. FAILURE TO MAINTAIN OR FACILITATE AUTO-**
20 **MATIC CONTRIBUTION PLANS OR ARRANGE-**
21 **MENTS.**

22 “(a) GENERAL RULE.—

23 “(1) IN GENERAL.—There is hereby imposed a
24 tax on the failure of an employer to maintain or fa-

1 facilitate an automatic contribution plan or arrange-
 2 ment.

3 “(2) EXCEPTION FOR ARRANGEMENTS UNDER
 4 QUALIFIED STATE LAW.—Paragraph (1) shall not
 5 apply to an employer to the extent such employer fa-
 6 cilitates an arrangement described in subsection
 7 (f)(3)(B) under a qualified State law.

8 “(b) AMOUNT OF TAX.—

9 “(1) IN GENERAL.—The amount of the tax im-
 10 posed by subsection (a) on any failure with respect
 11 to an employee shall be \$10 for each day in the non-
 12 compliance period with respect to such failure.

13 “(2) NONCOMPLIANCE PERIOD.—For purposes
 14 of this section, the term ‘noncompliance period’
 15 means, with respect to any failure, the period—

16 “(A) beginning on the date such failure
 17 first occurs, and

18 “(B) ending on the earlier of—

19 “(i) the date such failure is corrected,
 20 or

21 “(ii) with respect to any employer, the
 22 date that is 3 months after the last date
 23 on which the employee is required to be eli-
 24 gible to participate in an automatic con-

1 tribution plan or arrangement maintained
2 or facilitated by such employer.

3 “(3) ADJUSTMENT FOR INFLATION.—

4 “(A) IN GENERAL.—In the case of any
5 failure relating to maintaining or facilitating a
6 plan or arrangement in a calendar year begin-
7 ning after 2028, the \$10 amount under para-
8 graph (1) shall be increased by an amount
9 equal to such dollar amount multiplied by the
10 cost-of-living adjustment determined under sec-
11 tion 1(f)(3) for the calendar year determined by
12 substituting ‘calendar year 2027’ for ‘calendar
13 year 2016’ in subparagraph (A)(ii) thereof.

14 “(B) ROUNDING.—If any amount adjusted
15 under subparagraph (A) is not a whole dollar
16 amount, such amount shall be rounded to the
17 nearest whole dollar amount.

18 “(c) LIMITATIONS ON AMOUNT OF TAX.—

19 “(1) TAX NOT TO APPLY WHERE FAILURE NOT
20 DISCOVERED EXERCISING REASONABLE DILI-
21 GENCE.—No tax shall be imposed by subsection (a)
22 on any failure during any period for which it is es-
23 tablished to the satisfaction of the Secretary that
24 none of the persons referred to in subsection (e)

1 knew, nor exercising reasonable diligence would have
2 known, that such failure existed.

3 “(2) TAX NOT TO APPLY TO FAILURES COR-
4 RECTED WITHIN 9½ MONTHS.—No tax shall be im-
5 posed by subsection (a) on any failure if—

6 “(A) such failure was due to reasonable
7 cause and not to willful neglect, and

8 “(B) such failure is corrected during the
9 9½-month period beginning on the first date
10 any of the persons referred to in subsection (e)
11 knew that such failure existed, or exercising
12 reasonable diligence would have known.

13 “(3) OVERALL LIMITATION FOR UNINTEN-
14 TIONAL FAILURES.—In the case of failures which
15 are due to reasonable cause and not to willful ne-
16 glect—

17 “(A) GENERAL RULE.—The tax imposed
18 by subsection (a) for failures during the taxable
19 year of the employer shall not exceed \$500,000.

20 “(B) TAXABLE YEARS IN THE CASE OF
21 CERTAIN CONTROLLED GROUPS.—For purposes
22 of this subparagraph, if not all persons who are
23 treated as a single employer for purposes of this
24 section have the same taxable year, the taxable
25 years taken into account shall be determined

1 under principles similar to the principles of sec-
2 tion 1561.

3 “(4) WAIVER BY SECRETARY.—In the case of a
4 failure which is due to reasonable cause and not to
5 willful neglect, the Secretary may waive part or all
6 of the tax imposed by subsection (a) to the extent
7 that the payment of such tax would be excessive rel-
8 ative to the failure involved.

9 “(d) TAX NOT TO APPLY IN CERTAIN CASES.—This
10 section shall not apply in the case of—

11 “(1) any employer that employed no more than
12 10 employees each of whom received at least \$5,000
13 of compensation from the employer during the prior
14 calendar year,

15 “(2) any employer with respect to a govern-
16 mental plan (within the meaning of section 414(d)),

17 “(3) any employer with respect to a church plan
18 (within the meaning of section 414(e)), or

19 “(4) any employer that has been in existence
20 for fewer than 2 years, taking into account all pred-
21 ecessor employers.

22 “(e) LIABILITY FOR TAX.—The employer shall be lia-
23 ble for the tax imposed by subsection (a) on a failure. All
24 employers, determined without regard to subsection (f)(2),
25 shall be jointly and severally liable for the liability of any

1 other employer with which they are aggregated under sub-
2 section (f)(2).

3 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-
4 poses of this section—

5 “(1) AUTOMATIC CONTRIBUTION PLAN OR AR-
6 RANGEMENT.—The term ‘automatic contribution
7 plan or arrangement’ has the meaning given such
8 term under section 414(dd), and

9 “(2) EMPLOYER.—The term ‘employer’ includes
10 all employers treated as a single employer under
11 subsection (b), (c), (m), or (o) of section 414.

12 “(3) QUALIFIED STATE LAW.—The term ‘quali-
13 fied State law’ means a State law (as it may be
14 amended from time to time) that—

15 “(A) was enacted before January 1, 2028,
16 and

17 “(B) requires certain employers to facili-
18 tate an automatic IRA arrangement pursuant
19 to a payroll deduction savings program of the
20 State.

21 “(4) TREATMENT OF PROFESSIONAL EMPLOYER
22 ORGANIZATIONS AND THEIR CUSTOMERS.—

23 “(A) IN GENERAL.—In the case of an em-
24 ployer who under a qualified service contract is
25 a customer of a professional employer organiza-

tion with respect to an employee who performs
services for the customer under such contract—

“(i) such customer shall be treated as
the employer (and such professional employer organization shall not) with respect
to such employee, and

“(ii) any automatic contribution plan
or arrangement maintained or facilitated
by such professional employer organization
with respect to such employee shall be
treated as maintained or facilitated, as the
case may be, by the customer.

“(B) QUALIFIED SERVICE CONTRACT.—

For purposes of this paragraph, the term
‘qualified service contract’ means a service contract that meets the requirements of section 7705(e)(2). For purposes of the preceding sentence, the requirements of such section shall be determined without regard to the term ‘certified’ therein, subparagraph (F) thereof, and whether the professional employer organization with respect to such contract is a certified professional employer organization under section 7705.’.”.

1 (2) CLERICAL AMENDMENT.—The table of sec-
 2 tions for chapter 43 is amended by adding at the
 3 end the following new item:

“Sec. 4980J. Failure to maintain or facilitate automatic contribution plans or
 arrangements.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to plan years beginning after De-
 6 cember 31, 2027.

7 **SEC. 3. CREDIT FOR CERTAIN SMALL EMPLOYER AUTO-**
 8 **MATIC IRA ARRANGEMENTS.**

9 (a) IN GENERAL.—Subpart D of part IV of sub-
 10 chapter A of chapter 1 is amended by adding at the end
 11 the following new section:

12 **“SEC. 45BB. CREDIT FOR CERTAIN SMALL EMPLOYER**
 13 **AUTOMATIC IRA ARRANGEMENTS.**

14 “(a) GENERAL RULE.—For purposes of section 38,
 15 in the case of an eligible employer, the small employer
 16 automatic IRA arrangement credit determined under this
 17 section for any taxable year in the credit period is \$500.

18 “(b) DEFINITIONS.—For purposes of this section—

19 “(1) ELIGIBLE EMPLOYER.—The term ‘eligible
 20 employer’ means, with respect to the calendar year
 21 in which the taxable year begins, an employer
 22 which—

23 “(A)(i) facilitates an automatic IRA ar-
 24 rangement (as defined in section 414(dd)(8)),

1 or an arrangement described in 4980J(a)(2),
 2 and

3 “(ii) is described in 408(p)(2)(C)(i), and

4 “(B) did not maintain an eligible employer
 5 plan during the portion of the calendar year
 6 preceding the commencement of such arrange-
 7 ment and the 2 preceding calendar years.

8 “(2) CREDIT PERIOD.—The term ‘credit period’
 9 means the first 3 calendar years beginning after the
 10 date of the enactment of this section in which the
 11 eligible employer participates in the arrangement.

12 “(3) ELIGIBLE EMPLOYER PLAN.—The term
 13 ‘eligible employer plan’ means a qualified employer
 14 plan within the meaning of section 4972(d).

15 “(c) OTHER RULES.—For purposes of this section,
 16 rules similar to the rules of section 45E(e)(2) shall
 17 apply.”.

18 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
 19 NESS CREDIT.—Section 38(b) is amended by striking
 20 “plus” at the end of paragraph (40), by striking the period
 21 at the end of paragraph (41) and inserting “, plus”, and
 22 by adding at the end the following new paragraph:

23 “(42) the small employer automatic IRA ar-
 24 rangement credit determined under section
 25 45BB(a).”.

1 (c) SPECIFIED CREDIT FOR PURPOSES OF CER-
 2 TIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.—
 3 Section 3511(d)(2) of such Code is amended by redesignig-
 4 nating subparagraphs (G), (H), and (I) as subparagraphs
 5 (H), (I), and (J), respectively, and by inserting after sub-
 6 paragraph (F) the following new subparagraph:

7 “(G) section 45BB (small employer auto-
 8 matic IRA arrangement credit),”.

9 (d) CLERICAL AMENDMENT.—The table of sections
 10 for subpart D of part IV of subchapter A of chapter 1
 11 is amended by adding at the end the following new item:

“Sec. 45BB. Credit for certain small employer automatic IRA arrangements.”.

12 (e) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 2025.

15 **SEC. 4. TREATMENT OF AUTOMATIC IRA ARRANGEMENTS**
 16 **UNDER STATE LAW.**

17 (a) PREEMPTION OF STATE LAW.—This Act, and the
 18 amendments made thereby, shall supersede any law of a
 19 State which would directly or indirectly prohibit or restrict
 20 an automatic IRA arrangement (as defined in section
 21 414(dd)(8) of the Internal Revenue Code of 1986).

22 (b) EMPLOYERS MAINTAINING AUTOMATIC IRA AR-
 23 RANGEMENT.—

24 (1) IN GENERAL.—Any employer maintaining
 25 such an arrangement shall not be subject to any re-

1 requirement imposed by a State or political subdivision
2 thereof to facilitate a payroll deduction savings pro-
3 gram of a State or political subdivision thereof.

4 (2) QUALIFIED STATE LAW EXCEPTION.—Para-
5 graph (1) shall not apply with respect to any em-
6 ployer to the extent that such employer facilitates an
7 arrangement under a qualified State law (as defined
8 in section 4980J(f)(3) of the Internal Revenue Code
9 of 1986) for employees with respect to whom such
10 qualified State law applies.

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