

119TH CONGRESS
2D SESSION

S. 5040

To amend the Internal Revenue Code of 1986 to impose limitations on high-income taxpayers with large retirement account balances.

IN THE SENATE OF THE UNITED STATES

JULY 21, 2026

Mr. WYDEN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to impose limitations on high-income taxpayers with large retirement account balances.

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. CONTRIBUTION LIMIT FOR INDIVIDUAL RE-**
4 **TIREMENT PLANS OF HIGH-INCOME TAX-**
5 **PAYERS WITH LARGE ACCOUNT BALANCES.**

6 (a) CONTRIBUTION LIMIT.—

7 (1) IN GENERAL.—Subpart A of part I of sub-
8 chapter D of chapter 1 of the Internal Revenue Code
9 of 1986 is amended by adding at the end the fol-
10 lowing:

1 **“SEC. 409B. CONTRIBUTION LIMIT ON INDIVIDUAL RETIRE-**
 2 **MENT PLANS OF HIGH-INCOME TAXPAYERS**
 3 **WITH LARGE ACCOUNT BALANCES.**

4 “(a) GENERAL RULE.—Notwithstanding any other
 5 provision of this title, in the case of an individual who is
 6 an applicable taxpayer for any taxable year, no applicable
 7 annual contributions for such taxable year shall be made
 8 by, or on behalf of, such individual to any individual retire-
 9 ment plan to the extent such applicable annual contribu-
 10 tions exceed the excess (if any) of—

11 “(1) the applicable dollar amount for such tax-
 12 able year, over

13 “(2) the aggregate vested balances to the credit
 14 of the individual (whether as a participant, owner, or
 15 beneficiary) in all applicable retirement plans (deter-
 16 mined as of the close of the calendar year preceding
 17 the calendar year in which such taxable year begins).

18 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
 19 poses of this section—

20 “(1) APPLICABLE ANNUAL CONTRIBUTION.—

21 “(A) IN GENERAL.—Except as provided in
 22 this paragraph, the term ‘applicable annual
 23 contribution’ means any contribution to an indi-
 24 vidual retirement plan.

25 “(B) CONTRIBUTIONS TO SEP AND SIMPLE
 26 PLANS.—In the case of any employer or em-

1 ployee contributions by, or on behalf of, an indi-
2 vidual to a simplified employee pension under
3 section 408(k) or a simple retirement account
4 under section 408(p)—

5 “(i) such contributions shall not be
6 treated as applicable annual contributions
7 for purposes of applying the limitation
8 under subsection (a), but

9 “(ii) the excess described in sub-
10 section (a) shall be reduced by the amount
11 of such contributions in applying such limi-
12 tation to other applicable annual contribu-
13 tions with respect to such individual.

14 “(C) ROLLOVER CONTRIBUTIONS DIS-
15 REGARDED.—A rollover contribution under sec-
16 tion 402(c), 403(a)(4), 403(b)(8), 408(d)(3),
17 457(e)(16), or 529(e)(3)(E) shall not be treated
18 as an applicable annual contribution.

19 “(D) ACCOUNTS ACQUIRED BY DEATH OR
20 DIVORCE OR SEPARATION.—The acquisition of
21 an individual retirement plan (or the transfer to
22 or contribution of amounts to an individual re-
23 tirement plan) by reason of—

24 “(i) the death of another individual,
25 or

1 “(ii) divorce or separation (pursuant
2 to section 408(d)(6)),
3 shall not be treated as an applicable annual
4 contribution.

5 “(2) APPLICABLE DOLLAR AMOUNT.—The term
6 ‘applicable dollar amount’ means \$10,000,000.

7 “(3) APPLICABLE RETIREMENT PLAN.—The
8 term ‘applicable retirement plan’ means—

9 “(A) a defined contribution plan to which
10 section 401(a) or 403(a) applies,

11 “(B) an annuity contract under section
12 403(b),

13 “(C) an eligible deferred compensation
14 plan described in section 457(b) which is main-
15 tained by an eligible employer described in sec-
16 tion 457(e)(1)(A), or

17 “(D) an individual retirement plan.

18 “(4) APPLICABLE TAXPAYER.—

19 “(A) IN GENERAL.—The term ‘applicable
20 taxpayer’ means, with respect to any taxable
21 year, a taxpayer whose modified adjusted gross
22 income for the preceding taxable year exceeds
23 the amount determined under subparagraph
24 (B).

1 “(B) DOLLAR LIMIT.—The amount deter-
2 mined under this subparagraph for any taxable
3 year is—

4 “(i) \$225,000 for a married individual
5 not filing a joint return,

6 “(ii) \$425,000 in the case of an indi-
7 vidual who is a head of household (as de-
8 fined in section 2(b)),

9 “(iii) \$450,000 in the case of an indi-
10 vidual who is a married individual filing a
11 joint return or a surviving spouse (as de-
12 fined in section 2(a)), and

13 “(iv) \$400,000 in any other case.

14 “(C) MODIFIED ADJUSTED GROSS IN-
15 COME.—For purposes of this paragraph, the
16 term ‘modified adjusted gross income’ means
17 adjusted gross income determined without re-
18 gard to sections 911, 931, and 933, without re-
19 gard to any deduction for applicable annual
20 contributions to individual retirement plans to
21 which subsection (a) applies, and without re-
22 gard to any increase in minimum required dis-
23 tributions by reason of section 4974(f).

24 “(5) ADJUSTMENTS FOR INFLATION.—

“(A) IN GENERAL.—In the case of any taxable year beginning after 2027, each of the dollar amounts in paragraphs (2) and (4)(B) shall be increased by an amount equal to the product of—

“(i) such dollar amount, and

“(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting ‘calendar year 2026’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not—

“(i) in the case of the dollar amount under paragraph (2), a multiple of \$250,000, such amount shall be rounded to the next lowest multiple of \$250,000, and

“(ii) in the case of a dollar amount under paragraph (4)(B), a multiple of \$1,000, such amount shall be rounded to the next lowest multiple of \$1,000.

“(c) REGULATIONS.—The Secretary shall prescribe such regulations and guidance as are necessary or appro-

1 piate to carry out the purposes of this section, including
 2 regulations or guidance that provide for the application
 3 of this section and section 4974(f) in the case of plans
 4 with a valuation date other than the last day of a calendar
 5 year.”.

6 (2) CONFORMING AMENDMENTS.—

7 (A) The table of contents for subpart A of
 8 part I of subchapter D of chapter 1 of such
 9 Code is amended by adding after the item relat-
 10 ing to section 409A the following new item:

“Sec. 409B. Contribution limit on individual retirement plans of high-income
 taxpayers with large account balances.”.

11 (B) Section 408(r) of such Code is amend-
 12 ed by adding at the end the following new para-
 13 graph:

14 “(3) For additional limitations on contributions
 15 to individual retirement plans with large account
 16 balances, see section 409B.”.

17 (b) EXCISE TAX ON EXCESS APPLICABLE ANNUAL
 18 CONTRIBUTIONS.—

19 (1) IN GENERAL.—Section 4973 of the Internal
 20 Revenue Code of 1986 is amended by adding at the
 21 end the following new subsection:

22 “(i) SPECIAL RULE FOR INDIVIDUAL RETIREMENT
 23 PLANS WITH EXCESS APPLICABLE ANNUAL CONTRIBU-
 24 TIONS.—For purposes of this section, in the case of indi-

1 vidual retirement plans, the excess contributions otherwise
 2 determined under this section with respect to any taxable
 3 year shall be increased by the sum of—

4 “(1) the excess of the applicable annual con-
 5 tributions (within the meaning of section
 6 409B(b)(1)) to such plans over the limitation under
 7 section 409B(a) for such taxable year, reduced by
 8 the amount of any excess contributions determined
 9 under subsections (b) and (f), and

10 “(2) the lesser of—

11 “(A) the amount determined under this
 12 subsection for the preceding taxable year with
 13 respect to such plans, reduced by the aggregate
 14 distributions from such plans for the taxable
 15 year (including distributions required under sec-
 16 tion 4974(f)) to the extent not contributed in a
 17 rollover contribution to another eligible retire-
 18 ment plan in accordance with section 402(c),
 19 403(a)(4), 403(b)(8), 408(d)(3), and
 20 457(e)(16), or

21 “(B) the amount (if any) by which the
 22 amount determined under section 409B(a)(2)
 23 for the taxable year exceeds the applicable dol-
 24 lar amount under section 409B(b)(2) for the
 25 taxable year.”.

1 (2) CONFORMING AMENDMENTS.—Subsections
 2 (b) and (f) of section 4973 of such Code are each
 3 amended by inserting “, except as further provided
 4 in subsection (i)” after “For purposes of this sec-
 5 tion”.

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 2026.

9 **SEC. 2. INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS**
 10 **FOR HIGH-INCOME TAXPAYERS WITH LARGE**
 11 **RETIREMENT ACCOUNT BALANCES.**

12 (a) IN GENERAL.—Section 4974 of the Internal Rev-
 13 enue Code of 1986 is amended by adding at the end the
 14 following new subsection:

15 “(f) INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS FOR HIGH-INCOME TAXPAYERS WITH LARGE AG-
 16 GREGATE ACCOUNT BALANCES.—

18 “(1) IN GENERAL.—If this subsection applies to
 19 a payee who is an applicable taxpayer (as defined in
 20 section 409B(b)(4)) for a taxable year—

21 “(A) all applicable retirement plans (other
 22 than individual retirement accounts) of the
 23 payee taken into account in computing the ex-
 24 cess described in paragraph (3)(A) shall be
 25 treated as 1 plan solely for purposes of applying

1 this section to the increase in minimum re-
 2 quired distributions for such taxable year deter-
 3 mined under subparagraph (B), and

4 “(B) the minimum required distributions
 5 under this section for all plans treated as 1
 6 plan under subparagraph (A) with respect to
 7 such payee for such taxable year shall be in-
 8 creased by the excess (if any) of—

9 “(i) the sum of—

10 “(I) if paragraph (2) applies to
 11 such taxable year, the applicable Roth
 12 excess amount, plus

13 “(II) 50 percent of the excess de-
 14 termined under paragraph (3)(A), re-
 15 duced by the applicable Roth excess
 16 amount, over

17 “(ii) the sum of the minimum re-
 18 quired distributions (determined without
 19 regard to this subsection) for all such
 20 plans.

21 “(2) APPLICABLE ROTH EXCESS AMOUNT.—

22 “(A) APPLICATION.—For purposes of
 23 paragraph (1)(B)(i), this paragraph applies to a
 24 taxable year of a payee if the aggregate vested
 25 balances to the credit of the payee (whether as

1 a participant, owner, or beneficiary) in all appli-
 2 cable retirement plans (determined as of the
 3 close of the calendar year preceding the cal-
 4 endar year in which the taxable year begins) ex-
 5 ceed 200 percent of the applicable dollar
 6 amount for the calendar year in which the tax-
 7 able year begins.

8 “(B) APPLICABLE ROTH EXCESS
 9 AMOUNT.—The applicable Roth excess amount
 10 for any taxable year to which this paragraph
 11 applies is an amount equal to the lesser of—

12 “(i) the excess determined under sub-
 13 paragraph (A), or

14 “(ii) the aggregate balances to the
 15 credit of the payee (whether as a partici-
 16 pant, owner, or beneficiary) in all Roth
 17 IRAs and designated Roth accounts (with-
 18 in the meaning of section 402A) as of the
 19 close of the calendar year preceding the
 20 calendar year in which the taxable year be-
 21 gins.

22 “(3) APPLICATION.—This subsection shall
 23 apply to a payee for a taxable year—

24 “(A) if the aggregate vested balances to
 25 the credit of the payee (whether as a partici-

1 pant, owner, or beneficiary) in all applicable re-
 2 tirement plans (determined as of the close of
 3 the calendar year preceding the calendar year
 4 in which the taxable year begins) exceed the ap-
 5 plicable dollar amount for the calendar year in
 6 which the taxable year begins, and

7 “(B) without regard to whether amounts
 8 with respect to the payee are otherwise required
 9 to be distributed under section 401(a)(9),
 10 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2).

11 “(4) COORDINATION AND ALLOCATION.—

12 “(A) MINIMUM DISTRIBUTION REQUIRE-
 13 MENTS.—If this subsection applies to a payee
 14 for any taxable year—

15 “(i) this section shall apply first to
 16 minimum required distributions deter-
 17 mined without regard to this subsection
 18 and then to any increase in minimum re-
 19 quired distributions by reason of this sub-
 20 section, and

21 “(ii) nothing in this subsection shall
 22 be construed to affect the amount of any
 23 minimum required distribution determined
 24 without regard to this subsection or the

1 plan or plans from which it is required to
2 be distributed.

3 “(B) ALLOCATION OF INCREASE IN MIN-
4 IMUM REQUIRED DISTRIBUTIONS.—

5 “(i) IN GENERAL.—Except as pro-
6 vided in clauses (ii) and (iii), the taxpayer
7 may, in such form and manner as the Sec-
8 retary may prescribe, allocate any increase
9 in minimum required distributions by rea-
10 son of this subsection to applicable retire-
11 ment plans treated as 1 plan under sub-
12 paragraph (A) in such manner as the tax-
13 payer chooses.

14 “(ii) ALLOCATION TO ROTH IRAS AND
15 ACCOUNTS.—In the case of a taxable year
16 to which paragraph (2) applies, the portion
17 of any increase in minimum required dis-
18 tributions by reason of this subsection
19 equal to the applicable Roth excess amount
20 shall be allocated first to Roth IRAs and
21 then to designated Roth accounts (within
22 the meaning of section 402A) of the payee.

23 “(iii) SPECIAL RULES FOR EMPLOYEE
24 STOCK OWNERSHIP PLANS.—

1 “(I) IN GENERAL.—In the case
 2 of a payee to which this subsection
 3 applies for any taxable year who has
 4 account balances in 1 or more em-
 5 ployee stock ownership plans (as de-
 6 fined in section 4975(e)(7)) any por-
 7 tion of which is invested in employer
 8 securities which are not readily
 9 tradable on an established securities
 10 market, the increase in minimum re-
 11 quired distributions by reason of this
 12 subsection shall not be allocated to
 13 any such portion.

14 “(II) EXCEPTION FOR AMOUNTS
 15 ATTRIBUTABLE TO ROLLOVER.—Sub-
 16 clause (I) shall not apply to so much
 17 of any account balance as is attrib-
 18 utable to a rollover contribution after
 19 the date of the enactment of this sub-
 20 section to the account in accordance
 21 with section 402(c), 403(a)(4),
 22 403(b)(8), 408(d)(3), or 457(e)(16).

23 “(5) DISTRIBUTIONS NOT ELIGIBLE FOR ROLL-
 24 OVERS.—For purposes of determining whether a dis-
 25 tribution is an eligible rollover distribution, any dis-

1 tribution from an applicable retirement plan which is
 2 attributable to any increase in minimum required
 3 distributions by reason of this subsection shall be
 4 treated as a distribution required under section
 5 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or
 6 457(d)(2), whichever is applicable.

7 “(6) ROTH DISTRIBUTIONS TREATED AS QUALI-
 8 FIED DISTRIBUTIONS.—In the case of any distribu-
 9 tion from a Roth IRA, or designated Roth account
 10 (within the meaning of section 402A), of the payee
 11 by reason of the allocation of an increase in min-
 12 imum required distributions under this subsection,
 13 such distribution shall be treated as a qualified dis-
 14 tribution under section 408A(d)(2) or 402A(d)(2),
 15 as the case may be.

16 “(7) DEFINITIONS.—For purposes of this sub-
 17 section, any term used in this subsection which is
 18 also used in section 409B shall have the same mean-
 19 ing as when such term is used in such section.”.

20 (b) SPECIAL RULES.—

21 (1) DISTRIBUTION RIGHTS.—

22 (A) QUALIFIED TRUSTS.—

23 (i) IN GENERAL.—Section 401(a) of
 24 the Internal Revenue Code of 1986 is

1 amended by inserting after paragraph (39)
 2 the following new paragraph:

3 “(40) IMMEDIATE DISTRIBUTION RIGHT.—A
 4 trust forming part of a defined contribution plan
 5 shall not constitute a qualified trust under this sec-
 6 tion unless an employee who certifies to the plan
 7 that the employee is a taxpayer who is subject to the
 8 distribution requirements of section 4974(f) may
 9 elect to receive a distribution from the employee’s
 10 account balance under the plan in such amount as
 11 the employee may elect, including any amounts at-
 12 tributable to a qualified cash or deferred arrange-
 13 ment (as defined in subsection (k)(2)). The pre-
 14 ceding sentence shall not apply in the case of any
 15 portion of an account balance to which section
 16 4974(f)(4)(B)(iii)(I) applies.”.

17 (ii) APPLICATION TO EMPLOYEE’S AN-
 18 NUITIES.—Section 404(a)(2) of such Code
 19 is amended by striking “and (37)” and in-
 20 serting “(37), and (40)”.

21 (B) ANNUITY CONTRACTS.—

22 (i) CUSTODIAL ACCOUNTS.—Section
 23 403(b)(7)(A) of such Code is amended by
 24 adding at the end the following new flush
 25 sentence:

1 “Notwithstanding clause (i), the custodial ac-
 2 count shall permit an employee who certifies
 3 that the employee is a taxpayer who is subject
 4 to the distribution requirements of section
 5 4974(f) to elect to receive a distribution from
 6 the employee’s custodial account in such
 7 amount as the employee may elect.”.

8 (ii) ANNUITY CONTRACTS.—Section
 9 403(b)(11) of such Code is amended by
 10 adding at the end the following new sen-
 11 tence: “Notwithstanding subparagraphs
 12 (A), (B), (C), and (D), the annuity con-
 13 tract shall permit an employee who cer-
 14 tifies that the employee is a taxpayer who
 15 is subject to the distribution requirements
 16 of section 4974(f) to elect to receive a dis-
 17 tribution of contributions made pursuant
 18 to a salary reduction agreement (within
 19 the meaning of section 402(g)(3)) from the
 20 employee’s annuity contract in such
 21 amount as the employee may elect.”.

22 (C) GOVERNMENTAL PLANS.—Section
 23 457(d)(1) of such Code is amended by adding
 24 at the end the following new flush sentence:

1 “Notwithstanding subparagraph (A), an eligible de-
 2 ferred compensation plan of an employer described
 3 in subsection (e)(1)(A) shall permit a participant or
 4 beneficiary who certifies that the participant or ben-
 5 eficiary is a taxpayer who is subject to the distribu-
 6 tion requirements of section 4974(f) to elect to re-
 7 ceive a distribution from the plan in such amount as
 8 the participant or beneficiary may elect.”.

9 (2) EXCEPTION FROM 10 PERCENT ADDITIONAL
 10 TAX ON EARLY DISTRIBUTIONS.—Section 72(t)(2) of
 11 such Code is amended by adding at the end the fol-
 12 lowing new subparagraph:

13 “(O) DISTRIBUTIONS OF EXCESS BAL-
 14 ANCES.—Distributions from an applicable re-
 15 tirement plan (within the meaning of section
 16 409B) to the extent such distributions for the
 17 taxable year do not exceed the amount required
 18 to be distributed from such plan under section
 19 4974(f).”.

20 (3) WITHHOLDING.—Section 3405(b) of such
 21 Code is amended by adding at the end the following
 22 new paragraph:

23 “(3) ADDITIONAL WITHHOLDING FOR RE-
 24 QUIRED DISTRIBUTIONS FROM HIGH BALANCE RE-
 25 TIREMENT ACCOUNTS.—

1 “(A) IN GENERAL.—For purposes of this
 2 section, a distribution pursuant to section
 3 401(a)(40), the last sentence of section
 4 403(b)(7)(A), the last sentence of section
 5 403(b)(11), or the last sentence of section
 6 457(d)(1) shall be treated as a nonperiodic dis-
 7 tribution, except that in applying this sub-
 8 section to such distribution—

9 “(i) paragraph (1) shall be applied by
 10 substituting ‘37 percent’ for ‘10 percent’,
 11 and

12 “(ii) no election may be made under
 13 paragraph (2) with respect to such dis-
 14 tribution.

15 “(B) EXCEPTION.—Subparagraph (A)
 16 shall not apply to any qualified distribution
 17 from a designated Roth account (within the
 18 meaning of section 402A).”.

19 (c) CONFORMING AMENDMENT.—Section 4974(b) of
 20 the Internal Revenue Code of 1986 is amended by striking
 21 “section 401(a)(9)” and inserting “subsection (f) or sec-
 22 tion 401(a)(9)”.

23 (d) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by
2 subsection (a) shall apply to taxable years beginning
3 after December 31, 2033.

4 (2) PLAN REQUIREMENTS.—The amendments
5 made by subsection (b) shall apply to plan years be-
6 ginning after December 31, 2033.

○