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VI. Retirement Plan-Related Changes

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Partial Repeal of Special Rule Permitting Recharacterization of IRA Contributions

Under TCJA, the special rule that allows a contribution to one type of IRA to be recharacterized as a contribution to the other type of IRA does not apply to a conversion contribution to a Roth IRA. Thus, recharacterization cannot be used to unwind a Roth conversion. However, recharacterization is still permitted with respect to other contributions. For example, an individual may make a contribution for a year to a Roth IRA and, before the due date for the individual's income tax return for that year, recharacterize it as a contribution to a traditional IRA. The provision is effective for tax years beginning after December 31, 2017. ([return to Retirement Plan-Related Changes](#))

Extended Rollover Period for the Rollover of Plan Loan Offset Amounts in Certain Cases

Under TCJA, the period during which a qualified plan loan offset amount may be contributed to an eligible retirement plan as a rollover contribution is extended from 60 days after the date of the offset to the due date (including extensions) for filing the federal income tax return for the tax year in which the plan loan offset occurs, that is, the tax year in which the amount is treated as distributed from the plan. Under the provision, a qualified plan loan offset amount is a plan loan offset amount that is treated as distributed from a qualified retirement plan, a Code Sec. 403(b) plan or a governmental Code Sec. 457(b) plan solely by reason of the termination of the plan or the failure to meet the repayment terms of the loan because of the employee's separation from service, whether due to layoff, cessation of business, termination of employment, or otherwise. As under present law, a loan offset amount under the provision is the amount by which an employee's account balance under the plan is reduced to repay a loan from the plan. The provision applies to tax years beginning after December 31, 2017. ([return to Retirement Plan-Related Changes](#))

Length of Service Award Programs for Bona Fide Public Safety Volunteers

TCJA increases the aggregate amount of length of service awards that may accrue for a bona fide volunteer with respect to any year of service to \$6,000 and adjusts that amount to reflect changes in cost-of-living for years after the first year the provision is effective. In addition, under the provision, if the plan is a defined benefit plan, the limit applies to the actuarial present value of the aggregate amount of length of service awards accruing with respect to any year of service. Actuarial present value is to be calculated using reasonable actuarial assumptions and methods, assuming payment will be made under the most valuable form of payment under the plan with payment commencing at the later of the earliest age at which unreduced benefits are payable under the plan or the participant's age at the time of the calculation. The provision is effective for tax years beginning after December 31, 2017. ([return to Retirement Plan-Related Changes](#))