SNA
SPECIAL NEEDS ALLIANCE

Public Policy: Issue Alert

SPECIAL NEEDS TRUST IMPROVEMENT ACT OF 2022 – S. 4426

Sponsors – Senators Todd Young (R-IN) and Maggie Hassan (D-NH)

What's the Problem?

- A change is needed to ensure that the Setting Every Community Up for Retirement Enhancement (SECURE) Act is interpreted to allow a charitable organization to be named as a remainder beneficiary of a trust that is established for a person who has a disability or is chronically ill.

What Does the Law Say?

- The SECURE Act recognizes the critical role that retirement plan accounts play in planning for a loved one with a disability (§401(a)(9)(E)(ii)(III)) or chronic illness (§401(a)(9)(E)(ii)(IV)) by exempting these beneficiaries from the new 10-year distribution rule.
- Recognizing the important role that Special Needs Trusts (SNTs) play in this planning, a retirement plan left to an SNT can be distributed over the lifetime of a beneficiary with a disability or who is chronically ill (IRC §401(a)(9)(H)(iv)).
- The SECURE Act's clear intent is to allow for the retirement benefits to be paid out over the lifetime of these eligible designated beneficiaries, and it should not matter who receives the trust property on the death of the eligible designated beneficiary whether that beneficiary is an individual, a continuing trust, or a charitable organization.

Reason for the Change

- We want to ensure the remainder beneficiaries (i.e., a trust beneficiary or beneficiaries after the death of the eligible designated beneficiary) of the trust that is established for a disabled or chronically ill individual, whether those remainder beneficiaries are individuals, continuing trusts, or charitable organizations, do not adversely impact the use of the eligible designated beneficiary's life expectancy for minimum required distribution purposes.
- This change will allow families to confidently carry out Congress's intent when planning for their loved ones with disabilities and the charitable organizations that support those individuals.
- There appears to be no Congressional intent to disadvantage individuals with disabilities when their loved ones wish to benefit individuals with disabilities and chronic illness during their lifetimes and the charitable organizations that support them thereafter.

REQUESTED CORRECTION

S. 4426
A BILL

To amend the Internal Revenue Code of 1986 to modify rules relating to beneficiaries of charitable remainder trusts.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Special Needs Trust Improvement Act of 2022".

SEC. 2. TREATMENT OF CHARITABLE REMAINDER BENEFICIARIES IN APPLICABLE MULTI-BENEFICIARY TRUSTS UNDER DEFINED CONTRIBUTION PLAN DISTRIBUTION RULES AFTER DEATH OF EMPLOYEE.

(a) IN GENERAL.—Section 401(a)(9)(H)(iv)(II) of the Internal Revenue Code of 1986 is amended by striking "no individual" and inserting "no beneficiary".

(b) APPLICABLE MULTI-BENEFICIARY TRUST DEFINITION.—Section 401(a)(9)(H)(v) of the Internal Revenue Code of 1986 is amended by adding at the end the following flush text:

"For purposes of the preceding sentence, in the case of a trust the terms of which are described in clause (iv)(II), any beneficiary which is an organization described in section 408(d)(8)(B)(i) shall be treated as a designated beneficiary described in subclause (II).".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 401 of the Setting Every Community Up for Retirement Enhancement Act of 2019.

For more information, please call or write SNA's Policy Advisor, Brian Lindberg, at brian@consumers.org or 202-306-6128.

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