

## Lame Duck Congress: Businesses Might Get Help with Retirement and Tax Credits



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Hey everybody, and welcome back to another episode of Paychex Thrive Week in Review. My name is Gene Marks, thank you so much for joining me today. Listen, I'm recording this really at the end of November. We have like a month left till the end of the year and a little bit after that before a whole new Congress gets brought in to take over power in Washington.

So, we're going to be in a lame duck period of time and a lot of people think that when you're in a lame duck period of time, not much happens in Washington. But, believe it or not, there are a couple of big things I think that could happen in Washington – big pieces of legislation that could really impact your small business before the end of the year, and you really need to be aware of what those things are.

So, the two things are this: I expect to see some changes in retirement with some new legislation around retirement, and I also see some changes that may affect your taxes, as well.

So, let's talk about retirement first. Okay? There are a number of bills in both the Senate and the House that are all under this umbrella called Secure, Secure 2.0 actually, because the Secure Act 1.0 passed back in 2019 and there are some other tweaks and changes that Congress would like to make to it.

So, there's a few bills. There's something called the EARN Act in the Senate, there's something called the HELP Act in the Senate. There's something called the Rise and Shine Act also in the Senate, and in the House there's a Securing a Strong Retirement Act. All of these are going to, you know, ultimately come together and I believe will be passed into legislation and signed by the president.

So, you say like, okay, well, how is that going to impact me and my business? Well, there's going to be some key provisions as part of it. First of all, there is potentially a doubling of a tax credit that is available to you as a business owner if you start up a new 401k plan. So, if you haven't started a 401k plan and you're looking to start a 401k plan, and you really should have one in your business, the government is going to be doubling down on the amount of help they're going to give you to help cover the cost of that 401k plan. So, look for that.

Number two, there will be a new tax credit to sort of compensate you, to incentivize you to help with employer matches. So, whatever matching that you do with your employees, the government is going to be coming up with – by the way, these numbers haven't been decided, so, I'm not giving you specifics – but it will be a credit in some way, a form that will incentivize you to match your employees' contribution to a 401k plan.

It will expand the requirement for automatic enrollment, which means you will have to tell new employees when they join your company, they're automatically enrolled in your 401k plan. They can pull out if they want to, but at first they will have to be enrolled.

There is a new database that they're looking at where if you ever had retirement or 401k money put aside years ago with a previous employer, whatever, you'll be able to go back and search for it to try and find it. It'll be this massive database.

Part-time workers will be allowed to participate in retirement plan. There will be a penalty-free withdrawals for things like emergencies or family hardships or natural disasters or domestic abuse. And also, there is they're talking about provisions to allow employers to match student loan payments with tax-favored 401k contributions, as well.

So, all of those things are being talked about right now. They all fall under sort of the SECURE 2.0. It's going to affect retirement plans. Keep your eyes open because this could be a great new way to provide benefits and for the government to help you provide these retirement benefits to both your existing and new employees. And, it is obviously a very highly requested type of compensation type of benefit to offer. Okay.

So, let's move to the other area that I think will take place, and that's taxes. So, by the end of the year, the Senate Ways and Means Committee, the Finance Committee, as well as, you know, some House committees on finance are also discussing some changes to allow for certain extensions in new tax credits.

So, for example, the Democrats want to double the \$2,000 child tax credit right now. They want to double it to \$4,000. It probably won't be doubled, but it will certainly be increased. The Republicans want to expand the research and development tax credit to allow more flexibility in how companies can write off those research and development tax expenses. They want to give more deductions for interest expense that we're incurring. There's potential tax break for bonus depreciation, which means that when we buy capital equipment by the end of the year, we want to deduct the full cost of that. The amount that we're deducting on that is going to start going down after this year. So, Congress wants to extend that amount so that it stays at the same levels that we're used to, which is really good.

Now, the Democrats have insisted that the child tax credit be part of any eventual deal, but they're probably going to have to scale it back to allow the Republicans to do some of these other things like bonus depreciation and certain deductions for interest. But it's coming.

So, retirement plan changes, big changes. I'm going to expect to happen. I expect legislation to happen in this lame duck Congress and changes in taxes, as well; child tax, credit, research development, tax, credit, interest expense, more write offs and hopefully an extension of that bonus depreciation that we're all we've been enjoying for buying capital expenditures. All of those, I think, are going to be addressed in some type of extended tax legislation also by the end of the year.

So, who knew that lame duck Congress could actually get something done? Some of these people are out the door forever, but they're going to try and get something done before the end of the year, and I'm sure the president will be amenable to signing those types of legislation. So, look for that in your business before the end of the year, both retirement impacting you and taxes impacting you, as well.

I hope that helps. You've been watching and listening to another segment of the Paychex Thrive podcast. My name is Gene Marks. This has been the Week in Review. Hopefully you've enjoyed this. I'll be back with you next week with some other type of news that is impacting your business and a little advice, or at least my take on how that impacts your business. We'll see you again soon.

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