JUNE 23, 2016

IRS Issues Proposed Regulations under Sections 457(f) and 409A

On June 22, 2016, the IRS issued long-awaited proposed regulations on Section 457(f) plans, as well as additional proposed regulations under Section 409A. As expected, the Section 457(f) rules have many similarities to the existing Section 409A rules; however, there are some welcome differences including the possibility of a noncompete agreement creating a substantial risk of forfeiture for purposes of Section 457(f). While the proposed rules under Section 409A include several welcome clarifications, changes to the proposed income inclusion regulations narrow the ability to make changes to unvested benefits.