

MEMO# 15274

October 18, 2002

HOUSE COMMITTEE APPROVES BILL TO INCREASE MANDATORY DISTRIBUTION AGE FOR RETIREMENT PLANS AND ACCELERATE INCREASES IN CONTRIBUTION LIMITS

[15274] October 18, 2002 TO: BOARD OF GOVERNORS No. 35-02 FEDERAL LEGISLATION MEMBERS No. 13-02 PRIMARY CONTACTS - MEMBER COMPLEX No. 84-02 PUBLIC INFORMATION COMMITTEE No. 30-02 RE: HOUSE COMMITTEE APPROVES BILL TO INCREASE MANDATORY DISTRIBUTION AGE FOR RETIREMENT PLANS AND ACCELERATE INCREASES IN CONTRIBUTION LIMITS On October 8, the House Ways and Means Committee approved H.R. 5558, the Retirement Savings and Security Act of 2002, by a party line 24-10 vote. The Institute strongly supports this legislation. H.R. 5558 would increase the age at which individuals are required to take minimum distributions from IRAs, 401(k)s, and other qualified retirement plans from 70 ½ to 73 in 2003 and 2004; to 74 in 2005 and 2006; and to 75 in 2007 and thereafter. In addition, H.R. 5558 would accelerate the increases in contribution limits for IRAs, 401(k)s, and other qualified retirement plans which were enacted as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Under EGTRRA, the annual contribution limit for IRAs will increase in stages to \$5,000 by 2008; the annual contribution limit for 401(k)s will increase in stages to \$15,000 by 2006; and the annual contribution limit for SIMPLE plans will increase in stages to \$10,000 by 2005. Catch-up contributions for IRAs by persons 50 and older will increase to \$1,000 in 2006; catch-up contributions for employer-sponsored plan participants age 50 and older will increase in stages to \$5,000 by 2006; and catch-up contributions for SIMPLE plans will increase in stages to \$2,500 by 2006. H.R. 5558 would accelerate these scheduled increases so that the maximum contribution limits would take effect in 2003. House consideration of a tax package, which incorporated H.R. 5558, was postponed until after the November elections. We will inform you of further developments. Matthew P. Fink President