

MEMO# 4013

August 13, 1992

SENATE APPROVES EXPANDED IRA DEDUCTIBILITY

August 13, 1992 TO: BOARD OF GOVERNORS NO. 58-92 FEDERAL LEGISLATION MEMBERS NO. 7-92 PENSION MEMBERS NO. 22-92 RE: SENATE APPROVES EXPANDED IRA DEDUCTIBILITY _____

Yesterday, the U.S. Senate voted to expand eligibility for deductible individual retirement account (IRA) contributions. Under the provision, taxpayers covered by retirement plans could fully deduct IRA contributions if their adjusted gross incomes were under \$80,000 for individuals, or \$120,000 for joint filers. In addition, one spouse's coverage under a retirement plan would not affect the other spouse's eligibility for the deduction. The provision would also permit the establishment of special IRAs, the contributions to which would not be deductible, but withdrawals from which would be tax free if attributable to contributions held for more than five years. Contributions to special IRAs would also be subject to the income limitations. The Senate will resume its consideration of the "Revenue Act of 1992," of which the IRA provisions are a part, after Labor Day. Upon the completion of Senate action, the IRA provisions will be considered as part of the Senate's conference with the House of Representatives, whose version of the Act does not include IRA provisions. If passed by Congress and signed by the President, the IRA provisions would become effective in 1994. The Institute will continue to seek the inclusion of expanded IRA provisions in the tax bill. We will keep you informed of further developments. Matthew P. Fink President

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