

MEMO# 7274

September 20, 1995

WAYS AND MEANS COMMITTEE APPROVES TAX PROVISIONS

September 20, 1995 TO: BOARD OF GOVERNORS No. 64-95 FEDERAL LEGISLATION
COMMITTEE No. 23-95 FEDERAL LEGISLATION MEMBERS No. 21-95 30% REPEAL WORKING
GROUP TAX ISSUES WORKING GROUP PENSION SIMPLIFICATION WORKING GROUP RE: WAYS
AND MEANS COMMITTEE APPROVES TAX PROVISIONS

The House
Ways and Means Committee on September 19, 1995 approved tax provisions to be part of the budget reconciliation bill designed to meet the Congresss deficit reduction and tax cut goals. We are pleased to report that the tax simplification provisions include five items on the Institutes legislative agenda: 1. The 30% limitation (the "short-short rule") would be repealed. 2. Simplified nondiscrimination rules would be provided for 401(k) plans. 3. The same simplified nondiscrimination rules would be provided for salary reduction Simplified Employee Pensions (SARSEPs). 4. The number of employees an employer could have and still be eligible to establish a Salary Reduction Simplified Employee Pension would be increased from 25 to 100. 5. The Committee bill does not include a provision requiring mutual funds to report the basis of shares redeemed by shareholders (though such a provision has been included in tax simplification legislation in the past). The Institute has advocated enacting the first four of these items and dropping mandated shareholder basis reporting. -2- We regret to report that the bill does not include a provision permitting the tax-free conversion of bank common trust funds into mutual funds. However Senator Bill Roth (R-DE), the Chairman of the Senate Finance Committee, has introduced a bank common trust fund conversion bill, which is expected to be considered by the Senate Finance Committee. We will keep you informed as this matter develops. For additional information, please contact the Legislative Affairs Department at (202) 326-5890. This memo can be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Julie Domenick Senior Vice President Legislative Affairs

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