

MEMO# 15798

March 26, 2003

HOUSE APPROVES BANKRUPTCY LEGISLATION CONTAINING IRA PROVISION

[15798] March 26, 2003 TO: BOARD OF GOVERNORS No. 15-03 FEDERAL LEGISLATION MEMBERS No. 4-03 PRIMARY CONTACTS - MEMBER COMPLEX No. 28-03 PUBLIC INFORMATION COMMITTEE No. 7-03 RE: HOUSE APPROVES BANKRUPTCY LEGISLATION CONTAINING IRA PROVISION On March 19, the House of Representatives approved the Bankruptcy Abuse Prevention and Consumer Protection Act of 2003 (H.R. 975) by a 315-113 vote. H.R. 975 is very similar to the bankruptcy reform bill passed by the House last November, but not considered by the Senate. The Institute has advocated for H.R. 975 because it provides uniform nationwide treatment of IRA assets in bankruptcy proceedings whereas state bankruptcy laws currently vary with respect to IRA assets. Also included in the bill is a \$1 million cap on the amount of assets held in an IRA (excluding SIMPLE IRAs) that would be exempt from creditors in bankruptcy. This provision, included in last year's legislation, would only apply to direct contributions to the IRA and would not apply to rollovers from qualified employer-sponsored retirement plans or the earnings on rollover amounts. The legislation also includes protections for amounts placed in Coverdell education savings accounts as well as Section 529 programs. The Senate has yet to take up bankruptcy reform. Although interest in the Senate remains high for acting on H.R. 975, the potential for controversial amendments, similar to those that derailed the legislation last Congress, will slow its consideration. We will inform you of further developments. Matthew P. Fink President

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