

MEMO# 6064

July 22, 1994

BREAUX-ROTH IRA BILL INTRODUCED IN SENATE

July 22, 1994 TO: BOARD OF GOVERNORS NO. 63-94 FEDERAL LEGISLATION COMMITTEE NO. 14-94 FEDERAL LEGISLATION MEMBERS NO. 11-94 MEMBERS - ONE PER COMPLEX NO. 50-94 PENSION COMMITTEE NO. 22-94 TAX COMMITTEE NO. 24-94 GOVERNMENT AFFAIRS IRA ISSUE GROUP RE: BREAUX-ROTH IRA BILL INTRODUCED IN SENATE

On July 21, Senate Finance Committee members John Breaux (D- LA) and William Roth (R-DE) introduced a bill designed to restore the universal availability of a fully tax deductible Individual Retirement Account. More than half the Senate cosponsored the bill, S. 2301, the "Savings and Investment Incentive Act of 1994." Institute members were actively involved in efforts to secure cosponsors for this bill. S. 2301 will permit a choice between tax-deductible contributions to a traditional IRA, or contributions to a new type of IRA under which contributions are not deductible but, earnings will generally not be taxed when withdrawn. The bill will also permit non-working spouses to make the same \$2,000 contribution to either kind of IRA. S. 2301 will permit penalty- free withdrawals from IRAs (as well as from 401(k) salary reduction plans and 403(b) government plans) for college education expenses, first-time home purchases, financially devastating medical expenses, and during periods of long and unusual unemployment. It does not appear that the bill will be acted on this year. However, the strong showing of Senate support will help in gaining broad consideration for the eventual full restoration of the IRA when the Congress takes up major tax legislation in the next session. It is expected that a comparable bill will be introduced in the House of Representatives in the near future by Congressmen J. J. Pickle (D-TX) and William Thomas (R-CA). -2- We will keep you informed as further developments occur. For additional information, please contact the Legislative Affairs Department at (202) 326-5890. A copy of the bill and Congressional Record statement is attached. This memo can be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Michael Stern Legislative Representative for Taxation Attachment

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