

MEMO# 13415

April 16, 2001

LEGISLATION TO ENHANCE IRAS AND PENSION PLANS INTRODUCED IN THE SENATE

[13415] April 16, 2001 TO: BOARD OF GOVERNORS No. 19-01 FEDERAL LEGISLATION MEMBERS No. 4-01 PRIMARY CONTACTS - MEMBER COMPLEX No. 27-01 PUBLIC INFORMATION COMMITTEE No. 8-01 RE: LEGISLATION TO ENHANCE IRAS AND PENSION PLANS INTRODUCED IN THE SENATE Bipartisan legislation to encourage retirement savings was introduced on April 6, 2001 by Senator Charles Grassley (R-IA), Chairman of the Senate Finance Committee, and Senator Max Baucus (D-MT). The "Retirement Security and Savings Act of 2001" (S. 742) is similar to legislation that was unanimously approved by the Senate Finance Committee last September. S. 742 would, among other things: • increase the annual limit on IRA contributions in stages from \$2,000 to \$5,000; • increase contribution limits for 401(k), 403(b), and 457 plans in stages to \$15,000; • permit persons 50 and older to contribute an additional 50% to their IRAs and employer- sponsored plans; • enhance the portability of retirement benefits; and • create tax credits for small businesses that establish retirement plans. S. 742 also includes a nonrefundable income tax credit to subsidize contributions of low- and middle-income persons to IRAs and employer-sponsored retirement plans. The maximum credit amount would be 50% of up to \$2,000 in contributions for couples with income up to \$30,000 (\$15,000 for individuals) and would be completely phased out for couples with income over \$50,000 (\$25,000 for individuals). Similar legislation has also been introduced in the House of Representatives. The "Comprehensive Retirement Security and Pension Reform Act of 2001" (H.R. 10) was recently introduced by Representatives Rob Portman (R-OH) and Benjamin Cardin (D-MD).¹ H.R. 10 is 1 See Memorandum to Board of Governors No. 14-01, Federal Legislation Members No. 3-01, Primary Contacts - Member Complex No. 23-01, and Public Information Committee No. 7-01. 2virtually identical to legislation that passed the House of Representatives overwhelmingly last July. The Portman-Cardin bill does not include the tax credit proposals included in S. 742. We will inform you of further developments. Matthew P. Fink President