

MEMO# 6475

December 19, 1994

ADMINISTRATION IRA PROPOSAL

December 19, 1994 TO: BOARD OF GOVERNORS No. 125-94 GOVERNMENT AFFAIRS IRA
ISSUE GROUP FEDERAL LEGISLATION COMMITTEE No. 38-94 MEMBERS - ONE PER COMPLEX
No. 97-94 PENSION COMMITTEE No. 30-94 PUBLIC INFORMATION COMMITTEE No. 43-94
REGIONAL WORKING GROUPS SHAREHOLDER COMMUNICATIONS COMMITTEE No. 35-94
TAX COMMITTEE No. 38-94 RE: ADMINISTRATION IRA PROPOSAL

_____ I am pleased to report that President Clinton announced on December 15 that there will be an Individual Retirement Account component in the Administration's tax proposals to be submitted to the Congress. According to the information available at this time, the President's proposal would increase the income limit from \$40,000 to \$80,000 for a family to be eligible for a full IRA deduction (with deductibility phased out at \$100,000), and from \$25,000 to \$50,000 in the case of an individual (phased out at \$70,000). The Administration proposal would also include a type of IRA under which contributions would not be deductible, but earnings would not be taxed when withdrawn. Qualified withdrawals from the IRA would not be subject to a 10% penalty if they are used for college education expenses, purchase of a first home, or financially devastating medical expenses. In the face of growing policy level support for individual savings vehicles, including the Administration proposal and the Republican "Contract with America," we would encourage you to continue your efforts in support of the IRA by writing your own letters to Members of Congress and the White House and by asking your shareholders to do the same. (Please see Board of Governors Memorandum No. 121-94 and Members - One per Complex Memorandum No. 92-94, dated December 8, 1994). We consider the Administration's support as critical to a successful outcome. We will keep you informed of further developments. Matthew P. Fink President

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