

**MEMO# 6764**

March 15, 1995

## **WAYS AND MEANS COMMITTEE REPORTS TAX PROVISIONS OF REPUBLICAN CONTRACT WITH AMERICA**

March 15, 1995 TO: BOARD OF GOVERNORS No. 37-95 FEDERAL LEGISLATION COMMITTEE  
No. 14-95 FEDERAL LEGISLATION MEMBERS No. 14-95 MEMBERS - ONE PER COMPLEX No.  
34-95 GOVERNMENT AFFAIRS IRA ISSUES GROUP RE: WAYS AND MEANS COMMITTEE  
REPORTS TAX PROVISIONS OF REPUBLICAN CONTRACT WITH AMERICA

On March 14, 1995, the House Ways and Means Committee ordered favorably reported H.R. 1215, the "Contract With America Tax Relief Act of 1995." The bill was ordered reported on a party line vote, with all Republican committee members voting in favor of the bill and all Democrats opposing the bill. (A complete description of the reported bill is attached.) The bill includes a provision establishing a new non-deductible ("back-end") Individual Retirement Account called the American Dream Savings Account. Contributions of up to \$2,000 annually (\$4,000 for a couple) would not be tax-deductible. Earnings could be withdrawn tax-free and penalty-free after five years, if withdrawals occurred after age 59½ or were for higher education expenses, first home purchase, catastrophic medical expenses, or long-term care insurance. Under the bill, contributions to an American Dream Savings Account would not affect one's eligibility to contribute to an IRA. H.R. 1215 would make only one change in present law IRAs. Under present law, there is a maximum annual limit of \$2,250 on IRA deductions for couples with only one wage earner. The bill would increase this limit to \$4,000, but would not otherwise modify the rules relating to deductible IRAs. Other provisions of H.R. 1215 would provide a 50% exclusion for capital gains and index the basis of certain assets for capital gains purposes. The bill includes modifications in the indexing provisions recommended by the Institute, but significant complexity does remain. We will keep you informed as these matters develop. 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." Michael Stern Legislative Representative for Taxation

Attachment

---

**Source URL:** <https://icinew-stage.ici.org/memo-6764>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.