

**MEMO# 10850**

March 31, 1999

## **INSTITUTE SUBMITS TESTIMONY ON RETIREMENT PLAN AND TAX PROPOSALS IN THE PRESIDENT'S BUDGET**

1 See Memorandum to Board of Governors No. 7-99, Federal Legislation Members No. 4-99, Primary Contacts - Member Complex No. 13-99, Public Information Committee No. 3-99, dated February 12, 1999. [10850] March 31, 1999 TO: BOARD OF GOVERNORS No. 25-99 FEDERAL LEGISLATION MEMBERS No. 12-99 PRIMARY CONTACTS - MEMBER COMPLEX No. 36-99 PUBLIC INFORMATION COMMITTEE No. 14-99 RE: INSTITUTE SUBMITS TESTIMONY ON RETIREMENT PLAN AND TAX PROPOSALS IN THE PRESIDENT'S BUDGET

In response to a House Ways and Means Committee request to comment on the President's fiscal year 2000 budget proposal,<sup>1</sup> the Institute submitted testimony on several retirement and tax issues. A copy of the testimony is attached. Retirement Security Initiatives ! Retirement account portability. The Institute supported the Administration's proposal to permit portability among different types of retirement plans. In addition, the Institute suggested expanding the proposal to permit rollovers between any type of individual account program (including 401(k)s, 457s, and IRAs) when workers change employers. ! Small employer retirement plan coverage. To improve small employer retirement plan coverage, the Institute recommended that Congress (1) raise the salary deferral limit in the SIMPLE plan program; (2) eliminate or modify the top-heavy rule; and (3) assure that any new programs for small employers provide effective employer incentives and do not undermine currently successful programs, such as the SIMPLE program. ! Retirement plan contribution limits. The Institute stated that Congress should consider raising plan contribution limits that inhibit adequate retirement savings, such as the \$2,000 IRA limit, which has not increased since 1981. Withholding Tax Exemption for Certain Bond Fund Distributions The Administration has proposed to exempt from U.S. withholding tax all distributions to foreign investors by bond funds that invest "substantially all" of their assets in U.S. debt securities or cash. The Institute supported this proposal and recommended expanding it to exempt from U.S. withholding tax interest income and short-term capital gains distributions by all types of U.S. funds to foreign investors that would be exempt if received by a foreign investor directly or through a foreign fund. We will keep you informed of further developments. Matthew P. Fink President Attachment