

MEMO# 17733

July 1, 2004

CONGRESSMAN JOHNSON INTRODUCES RETIREMENT SAVINGS ACCOUNT BILL

[17733] July 1, 2004 TO: PENSION MEMBERS No. 38-04 PENSION OPERATIONS ADVISORY COMMITTEE No. 47-04 RE: CONGRESSMAN JOHNSON INTRODUCES RETIREMENT SAVINGS ACCOUNT BILL Representative Sam Johnson (R-TX) has introduced H.R. 4714, the "Retirement Savings Account Act," which reflects the Retirement Savings Account ("RSA") initiative proposed by the Administration in 2003 and included in the Administration's budget for fiscal year 2005. Senator Craig Thomas (R-WY) plans to introduce companion legislation in the Senate. No income eligibility limits would apply to the RSA, and contributions could be made up to the lesser of \$5,000 (indexed for inflation) or the amount of compensation includible in the individual's gross income for the taxable year. The bill permits contributions to be made on behalf of a spouse in the same manner as traditional and Roth IRAs. RSA contributions also could be made after age 70 ½. Like Roth IRAs, the required minimum distribution rules would not apply to the RSA during the life of the account holder. The bill would consolidate traditional deductible IRAs, nondeductible IRAs and Roth IRAs into an RSA. RSA contributions would be nondeductible and earnings would accumulate and be distributed tax-free if used for retirement savings. Specifically, distributions would not be subject to federal taxation if withdrawn (1) after attainment of age 58, (2) upon death, (3) upon disability, or (4) for first home purchases made on or before January 1, 2008. Any withdrawals made prior to age 58 (except under the enumerated exceptions) would be subject to income tax and a ten percent penalty. No new contributions to traditional IRAs could be made after December 31, 2004. Conversions from plans with taxable distributions, such as traditional IRAs and employer-sponsored plans, would be permitted. The earnings attributable to conversions made prior to January 1, 2006 would be taxed ratably over a four-year period. No income limit would apply to conversions. A five-year holding period, however, would apply to converted amounts. The bill also would permit a married individual to roll over his or her RSA into the spouse's RSA. Lisa Robinson Assistant Counsel Attachment (in .pdf format) 2 Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 17733, or call the ICI Library at (202) 326-8304 and request the attachment for memo 17733.