MEMO# 11480

December 17, 1999

PRESIDENT SIGNS TAX EXTENDERS LEGISLATION

1 The tax bill vetoed by the President earlier this year, the “Taxpayer Refund and Relief Act of 1999,” contained a similar provision. See Institute Memorandum to Pension Members No. 31-99, Investment Advisers Committee No. 10-99, Operations Committee No. 32-99, Tax Committee No. 21-99, and Transfer Agent Advisory Committee No. 53-99, dated August 13, 1999, at p. 13. [11480] December 17, 1999 TO: PENSION MEMBERS No. 46-99 PENSION OPERATIONS ADVISORY COMMITTEE No. 58-99 RE: PRESIDENT SIGNS TAX EXTENDERS LEGISLATION ____
On December 17, 1999, the President signed H.R. 1180, the “Ticket to Work and Work Incentives Improvement Act of 1999” (the “Act”), into law. The Act contains the “tax extenders” legislation, which renews a number of tax credit and revenue offset provisions that were scheduled to expire. Two of the Act’s provisions that may be of particular interest to Institute members are described below. ! Extension of Alternative Minimum Tax Relief. Section 501 of the Act extends the provision that allows individuals to offset personal nonrefundable tax credits, such as those available under the HOPE and Lifetime Learning tax credit programs, against their regular tax liability, without regard to the alternative minimum tax, for any tax year beginning during 1999. For tax years beginning in 2000 and 2001, such credits may offset both the regular tax and the alternative minimum tax. These amendments are effective for tax years beginning after December 31, 1998. Section 501 of Act; Report p. 2. ! Transfer of Excess Defined Benefit Plan Assets for Retiree Health Benefits. Section 535 of the Act extends the availability of qualified transfers of excess pension assets of a defined benefit plan to provide retiree health benefits from December 31, 2000 to December 31, 2005. The Act also replaces the minimum benefit requirement that applied to qualified transfers of assets with a minimum cost requirement and directs the Department of Treasury to prescribe regulations to address employers who significantly reduce retiree health coverage. This provision is effective for qualified transfers occurring after the date of enactment. Section 535 of Act; Report p. 6.1 The Act’s table of contents, the relevant legislative language and an explanation of the provisions are attached. Note that the Act does not contain a provision that would increase the elective withholding rate for nonperiodic distributions from deferred compensation plans to 15% (from 10%). We understand that this provision has been reserved as a revenue offset for trade-related legislation to be considered by 2 The vetoed tax bill also contained this withholding provision, with an effective date of January 1, 2001. See Institute Memorandum to Pension Members No. 31-99, Investment Advisers Committee No. 10-99, Operations Committee No. 32- 99, Tax Committee No. 21-99, and Transfer Agent Advisory Committee No. 53-99, dated August 13, 1999, at p. 13. Congress next year. It is anticipated that the withholding rate increase, if enacted, would become effective for distributions after December 31, 2000.2 Thomas T. Kim Assistant Counsel Attachment Note: Not all recipients receive the

attachment. To obtain a copy of the attachment referred to in this Memo, please call the ICI Library at (202) 326-8304, and ask for attachment number 11480. ICI Members may retrieve this Memo and its attachment from ICINet (http://members.ici.org).