**FAIR Taxes for ALL**

**Co-chairs: People For the American Way, American Federation of State, County & Municipal Employees, National Women's Law Center, Leadership Conference On Civil Rights, USAction, Campaign for America's Future**

## *Oppose More Tax Shelters for the Wealthy in the Pension Bill, HR 1776*

July 17, 2003

Dear House Ways and Means Committee Member:

As co-chairs of the Fair Taxes For All Coalition, a network of more than 325 national, state and local organizations and coalitions – together representing millions of Americans – we are writing in opposition to provisions in the pension bill, introduced as HR 1776, that would give more costly tax breaks to the wealthiest individuals. These provisions include: accelerating and making permanent increases in 401(k) and IRA contribution limits; raising the income limit for contributions to deductible and Roth IRAs; and raising the minimum distribution age. Whether the total cost of such provisions in the Chairman's Mark is $100 to $200 billion, as in the introduced bill, or $30 to $50 billion, as has been rumored, these additional unpaid-for tax cuts for the wealthy are more than we can afford.

These tax provisions expand tax shelters for higher-income individuals who already are accumulating substantial tax-favored savings for retirement, but do nothing to increase pensions or retirement savings for lower-income individuals most at risk of having inadequate resources in retirement. Raising the contribution limits for 401(k)s and IRAs only helps the tiny group of workers – less than five percent of eligible workers – who are already contributing the maximum. The people with sufficient income to spare that they are contributing the maximum are overwhelmingly high income; the General Accounting Office estimates that 84 percent of those who would benefit from raising the 401(k) contribution limits earn over $75,000; 58 percent of those who would benefit earn over $150,000. HR 1776 also would raise the income limit for contributions to Roth IRAs by joint filers from $160,000 to $220,000, and eliminate all income limits on tax-deductible IRA contributions by a high-income worker who is not covered by a pension plan, even if the spouse is covered – a provision that only benefits couples with income over $150,000. Finally, HR 1776 would delay the age at which distributions from IRAs and 401(k)s must be taken from age 70 ½ to age 75. This change would benefit only the fortunate few who have other assets to live on until age 75; in effect, it turns a retirement savings plan into a permanent tax shelter and estate planning tool.

Congress has already acted in a manner that shows reckless disregard for the national economy and the mounting federal budget deficit brought on by costly, unnecessary and unfair new tax cuts. The expanded tax shelters in the pension bill would add dramatically to the deficit putting even greater pressure on Congress and the states to weaken vital domestic programs for education, childcare and meeting the needs of the elderly. With FY 2003 budget deficits estimated by the Administration to exceed a record-setting $455 billion and with unemployment at a nine-year high, we simply cannot afford additional unpaid for tax cuts that further undermine our economy and saddle future generations with an even greater burden of debt.

Any pension reform approved by the Committee at this time should not include unpaid-for and unnecessary new tax breaks for the wealthy such as higher 401(k) and IRA contribution limits, higher income limits for contributions to deductible and Roth IRAs, and raising the minimum distribution age.

Sincerely,

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