The Honorable Henry M. Paulson  
Secretary of the Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220  

Dear Mr. Secretary:

As you know, we recently introduced H.R. 3361 and S. 1974, identical versions of the "Pension Protection Technical Corrections Act of 2007." Section 9 of this bill sets forth a technical correction to Sections 801 and 803 of the Pension Protection Act of 2006 (PPA). We are requesting your assistance in administering Sections 801 and 803 of the PPA, as amended by H.R. 3361 and S. 1974, to accomplish the original congressional intent underlying these provisions.

Section 801 of the PPA applies in the case when an employer sponsors one or more defined benefit plans and one or more defined contribution plans that cover at least one of the same employees. The provision sets forth how the overall deduction limitation applies to the total contributions to all plans for a plan year, including the applicable limit in the case of a single employer-plan not covered by the Pension Benefit Guaranty Corporation (PBGC). In such a case, under PPA, the combined plan limit is not less than the plan’s funding shortfall as determined under the funding rules. The technical correction clarifies that the combined plan limit is not less than the excess (if any) of the plan’s funding target over the value of the plan’s assets in such a case.

Section 803 of the PPA provides that the overall deduction limit applies to contributions to one or more defined contribution plans only to the extent that such contributions exceed six percent of compensation. Guidance from the Internal Revenue Service (IRS) (Notice 2007-28, 2007-14 I.R.B. 880) takes the position that if contributions to a defined contribution plan(s) are less than six percent of compensation, contributions to the defined benefit plan are still subject to the standard set forth under the overall deduction limit. The technical correction clarifies that if contributions to a defined contribution plan(s) are less than six percent of compensation, the defined benefit plan is not subject to the overall deduction limit. If the contributions to a defined contribution plan(s) exceed six percent of compensation, only defined contributions in excess of six percent are counted toward the overall deduction limit.

Your assistance in ensuring that the provisions contained in the PPA are administered as intended by the Congress is much needed here. As you know, many plan sponsors may be subject to significant excise taxes absent the correct interpretation of these provisions.
The Honorable Henry M. Paulson  
September 11, 2007  
Page 2

We were very much aware of the time sensitivity of this issue. It was one of the compelling reasons for introducing technical corrections legislation before the month-long August recess. We know that plan sponsors need clarity regarding their obligation to fund the retirement plans of their workers. We had hoped that the introduction of H.R. 3361 and S. 1974 would help the Department of the Treasury and the IRS reach the correct interpretation of these provisions. However, recent reports have indicated that the IRS is reluctant to follow the technical correction on combined plan limits. The correct application of these provisions with respect to plan contributions that are due by September 15, 2007, is a high priority for us. We will continue our efforts to ensure that these technical corrections become law. Please let us know if other action is necessary on our part to ensure the correct interpretation of combined plan limits as reflected in the introduced technical correction.

Thank you for your cooperation on this matter. Please feel free to contact us or have your staff contact Mildeen Worrell at (202) 225-5522 or Elizabeth Coffin at (202) 225-4021 for Ways and Means Committee and Judy Miller or Chris Condeluci at (202) 224-4515 for the Committee on Finance should you have any questions.

Sincerely,

The Honorable Charles B. Rangel  
Chairman  
House Committee on Ways and Means

The Honorable Jim McCrery  
Ranking Member  
House Committee on Ways and Means

The Honorable Max Baucus  
Chairman  
Senate Finance Committee

The Honorable Charles Grassley  
Ranking Member  
Senate Finance Committee