THE SAVINGS RECOVERY ACT

Introduced by Reps. Boehner, Dave Camp (R-MI), Howard P. "Buck" McKeon (R-CA), John Kline (R-MN), Pat Tiberi (R-OH), Sam Johnson (R-TX), Ed Royce (R-CA), Michele Bachmann (R-MN), Erik Paulsen (R-MN), Dean Heller (R-NV), Bob Latta (R-OH), Lynn Jenkins (R-KS), Brett Guthrie (R-KY), David Dreier (R-CA), Pete Sessions (R-TX), Kevin McCarthy (R-CA), John Carter (R-TX), Roy Blunt (R-MO), Christopher Lee (R-NY), Wally Herger (R-CA), and Dan Burton (R-IN)

Rebuilding Americans' Retirement Savings. In the current economic climate, Americans should be afforded every opportunity to help rebuild their savings. However, current law limits the amount Americans can put into their retirement savings or the "catch-up" contributions they may make. By raising the contribution and catch-up limits, the *Savings Recovery Act* gives Americans an opportunity to more quickly build back their retirement savings. In addition, current law generally requires a certain portion of retirement savings to be withdrawn after an individual turns 70 ½ or retires. This requirement was suspended in 2009 to help retirees keep more of their retirement savings instead of being forced to take more out at a time when the value of their accounts is relatively low. This bill would extend the suspension of minimum withdrawals for an additional three years, through 2012.

Rebuilding College Savings. The current SAVERs Credit provides a tax credit of up to $1,000 for an individual filer and $2,000 for those filing jointly, for voluntary contributions to retirement savings plans. The *Savings Recovery Act* would extend the existing SAVERs Credit to contributions made to 529 college savings accounts as well, effectively reducing by up to half the cost of a family's contribution to a 529 plan. Coupling the SAVERs Credit with 529 plans will help more families of modest means save for their children's college expenses. With the exception of this year, 529 account owners may only adjust their investment allocation once a year, regardless of market conditions. To help families better respond to changing market conditions, the bill would permanently allow families to change the investment direction of a 529 plan twice a year.

Increasing Retirement Income by Reducing the Social Security Earnings Penalty. Many Americans continue working into their mid-60s – out of financial necessity or as personal preference. Choosing to work and claim Social Security benefits before full retirement age, however, can result in losing $1 of benefits for every $2 of earnings in excess of $14,160 this year. Given the decline in value of other retirement savings as a result of the market, more workers who have not yet reached full retirement age need to increase their income now. Therefore, the *Savings Recovery Act* would double the Social Security earnings limit from $14,160 to $28,320 and allow more Americans to increase their income without being hit by the earnings penalty.

Tax Relief for Investors and Seniors. There is no silver bullet to revitalize the stock market, but encouraging investment through tax incentives can boost the value of retirement accounts on behalf of workers and retirees. And to help stem the loss of investment value, sensible tax code changes can help those with losses in the market keep more of their regular earnings. The *Savings Recovery Act* would immediately suspend the capital gains tax on newly acquired assets for the next two years and would raise and index to inflation the amount of capital losses allowed against ordinary income to $10,000 – roughly the level it would be currently if it had been indexed to inflation when last modified. Finally, the bill would suspend taxes on dividend income through 2011. A recent Tax Foundation analysis found this change would particularly help seniors and those on the verge of retirement.

Stabilizing Worker Pensions and Helping Employers Invest in the Future. The decline in the stock market not only has consequences on Americans' savings, but it is also placing a significant strain on employers and their worker pension plans. Rules requiring plans to recognize most of their losses in 2008 immediately and make up for those losses quickly are leaving many companies with unmanageable obligations, which could force employers to stop offering their pension plans altogether. To help ensure the viability of these worker pension plans, and allow employers to retain jobs and weather the economic storm, the *Savings Recovery Act* temporarily provides an increased glide path for recognizing losses and two additional years to resolve funding shortfalls. The bill would, however, require employers to continue making interest payments to their pension plans to prevent shortfalls from growing larger.

Preserving Employee-Controlled 401(k)s. Some in Washington are proposing to wipe out 401(k)s entirely, replacing them with government-run accounts that put bureaucrats – instead of families – in charge of Americans' savings. House Republicans are committed to preserving 401(k)s – and just as importantly, preserving workers' ability to make their own decisions about their retirement savings. The *Savings Recovery Act* reflects this important principle.