

Congress approves bill to suspend retirement tax for seniors

Written by Lake County News Reports

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WASHINGTON, D.C. – Late last week, the House of Representatives and the US Senate passed legislation to temporarily suspend a tax on seniors who fail to take a required minimum distribution from their retirement accounts.

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HR 7327, the Worker, Retiree and Employer Recovery Act was approved by the House on Dec. 10 and the Senate on Dec. 11.

It waives the penalty for 2009, allowing seniors to recoup some of the losses they have experienced as a result of the poor economy, according to a report from the office of Congressman Mike Thompson (D-St. Helena).

HR 7327 now heads to President George W. Bush's desk for his signature.

The bill should prove important to the First Congressional District, where the 2000 Census reports there are 84,000 seniors – nearly 12,000 age 65 and over in Lake County alone.

“In these difficult economic times, we have provided real relief to seniors who would otherwise have faced unfair penalties,” said Thompson. “I’m glad that Democrats and Republicans in both the House and the Senate found a way to work together and quickly pass this important legislation.”

Under H.R. 7327, all taxpayers, those who usually take the required minimum distribution amount monthly and those who take a lump sum amount at the end of the year, would have equal treatment. Under current law, individuals who have reached age 70½ must take an annual required minimum amount from their retirement plan or IRA.

Failure to take the distribution would subject the individual to a 50-percent excise tax penalty on the amount that should have been withdrawn.

The bill also is expected to help the struggles of businesses facing funding requirements for employer-sponsored pension plans. Without the legislation, those businesses would be forced to make significantly increased contributions during these difficult economic times when they are very short on cash.

The bill includes temporary relief for multi-employer plans that have been negatively impacted in this economic downturn.

HR 7327 also would make nominal technical corrections to the Pension Protection Act of 2006, which had required employers to fully fund their plans, which proved a blow to many businesses due to eroding market values where those funds are invested, according to an Associated Press report.

The American Society of Pension Professionals and Actuaries (ASPPA) welcomed HR 7327's passage, saying it will enable pension plan sponsors to adjust to the current market downturn.

Brian Graff, ASPPA executive director and chief executive officer, said passage of the legislation will enable pension and retirement plan management professionals to help retired Americans cope with the current economic condition.

"ASPPA members encouraged Congress to act during this final legislative push of the 110th Congress. Both the House and Senate are to be commended for acting unanimously on this important issue of vital interest to millions," Graff said.

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