



NEWS from U.S. Senator Bob Dole

(R.-Kans.)

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FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 18, 1979

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DOLE BILL WOULD ALLOW TAX DEDUCTIONS FOR CONTRIBUTIONS TO QUALIFIED PENSION PLANS

WASHINGTON -- Sen. Bob Dole (R-Kan.), ranking Republican member on the Senate Finance Committee, today introduced a bill designed to stimulate participation in qualified private pension plans by offering tax deductions on contributions to those plans.

The Dole bill, the "Limited Employee Retirement Account," is aimed at correcting the instability of many qualified plans created by the Employee Retirement Income Security Act of 1974 (ERISA), which granted tax deductions only for employee contributions to individual retirement accounts. ERISA failed to permit a deduction for an an employee contribution to a qualified plan.

"Unfortunately, this disparity has resulted in a drop in employee participation in private pension plans," Dole said. "I believe that every American deserves the opportunity to save for his retirement. Private pension plans serve an important role in providing that opportunity. Hopefully, my bill will encourage employees to remain in qualified pension plans and induce employers to maintain qualified plans."

Under current law, an individual who is entitled to make a deductible contribution to an individual retirement account may generally make a contribution up to the lesser of \$1,500 or 15 percent of yearly income. The individual may not make a deductible contribution to an IRA if the individual is an active participant during any part of the tax year in a qualified plan, a tax-deferred annuity maintained by a tax-exempt institution, or a government plan. As a result of the law, an active participant in such a plan may not make a deductible IRA contribution even though the employer's contribution on behalf of the individual is small, or the individual might never vest in a retirement benefit because of frequent changes in employment.

The Dole bill does not make a distinction between mandatory and voluntary employee contributions, so all contributions can qualify for tax deductible status. The bill is similar to a version which Dole sponsored last year as part of the Senate-passed Revenue Act of 1978.