

Emanuel, Ramstad to Expand Retirement Savings: Retirement Savings for Working Families Act will Help Middle-Class Save for Retirement

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The following information was released by the office of Illinois Rep. Rahm Emanuel:

Today, U.S. Representatives Rahm Emanuel (IL-5) and Jim Ramstad (MN-3) announced the introduction of the Retirement Savings for Working Americans Act, a bill to reform and expand the saver's credit. The credit provides an incentive for moderate and lower-income workers to save for retirement.

"Our current savings regime largely misses out on the cardinal rule of retirement planning: Start early and keep at it," said Emanuel. "Many Americans don't start saving until they think they can afford it and in these uncertain times, the number of Americans saving for their retirement has decreased nearly every year for the past decade. This legislation provides a new savings incentive for those Americans struggling just to make ends meet."

The saver's credit, which was enacted in 2001, provides up to a \$1000 tax credit that effectively serves as a match for contributions made to a 401(k), IRA, or other qualified employer-sponsored plan. According to the I.R.S., more than 5 million tax returns have claimed this credit each year from 2002 through 2005.

Unfortunately, millions of middle-class families are not eligible to receive this tax incentive because their incomes are too low. This legislation will expand eligibility to the saver's credit to more than 60 million families who pay employment taxes. The bill also expands the incentive to save by allowing workers who are saving for the cost of their children's education through a 529 account to be eligible for the saver's credit. Finally, the bill requires that the saver's credit be deposited directly into a savings account.

"These incentives to boost our dismal national savings rate are critical for American families and our country's future," said Ramstad.

Specifically, the Retirement Savings for Working Americans Act expands and improves the Saver's Credit by:

Providing a direct match for moderate and lower-income taxpayers who have employment tax liability but who are not eligible to qualify for the current saver's credit;

Expanding the income eligibility levels to single taxpayers earning up to \$30,000 and married taxpayers earning up to \$60,000;

Allowing taxpayers that contribute to a 529 plan, Coverdell, or an Individual Development Account to qualify for a Saver's Credit for those contributions.

Requiring the credit to be deposited directly into the qualified account specified by the taxpayer;

Establishing a flat 50% credit so that all eligible savers will receive equitable tax treatment;

Indexing the maximum contribution amounts to inflation;

This legislation has received the support of the Corporation for Enterprise Development. "This bill demonstrates a strong commitment to helping all families build assets by encouraging low-income workers to save," said CFED President Andrea Levere. "It promises to provide a bigger return on investment than many of the current retirement savings subsidies which provide the most generous incentives to the wealthiest families, while providing very little savings subsidies to families earning under \$40,000 a year." CFED is a non-profit organization dedicated to expanding economic opportunity by helping Americans start and grow businesses, go to college, own a home and save for their children's and own economic futures.