

WASHINGTON – Congressman Spencer Bachus (AL-6) and Congressman Rodney Frelinghuysen (NJ-11) said that relief for senior citizens whose retirement savings have been hit by market losses should be part of any final economic stimulus plan.

Bachus and Frelinghuysen have written to President Obama to advocate the inclusion of a retroactive suspension of the minimum distribution requirement for seniors in the economic recovery plan. Although the requirement has been waived for 2009, the lawmakers want the suspension to apply to withdrawals made in 2008 as well.

“There is nothing stimulative about a tax penalty. Federal tax law should not force seniors to take money from their retirement accounts at a time when the value of their investments has plummeted. Congress made progress by eliminating the tax penalty for 2009. But seniors suffered heavy losses last year and should not have been required to raid their retirement accounts for tax reasons,” Bachus said.

Bachus and Frelinghuysen have also introduced the IRA Equity for

Seniors Act. The legislation would provide relief from a mandate that imposing a tax penalty of as high as 50 percent on savers who failed to remove money from their retirement accounts in 2008. They sponsored similar legislation last year.

A copy of the letter is attached.

February 10, 2009

**Via Facsimile (202-456-1573)**

The Honorable Barack Obama

President of the United States of America

The White House

1600 Pennsylvania Avenue, N.W.

Washington, DC 20500-0001

Dear Mr. President,

When you visited with the House Republican Caucus on January 27, 2009, you assured House Republicans that you were willing to consider and include other ideas as part of an economic stimulus package. With that in

mind, please consider including a retroactive suspension of the required minimum distribution rules for IRA and 401(k) accounts for the 2008 tax year. This bipartisan proposal will help protect seniors while also providing much needed capital to help stimulate the economy.

For many older Americans, retirement investments such as IRAs and 401(k)s provide a substantial portion of their retirement income. Like all Americans, seniors have seen significant decreases in the value of their retirement accounts due to the current financial downturn.

This situation is exacerbated by the onerous regulations requiring retirees over the age of 70 and ½ to make required minimum distributions (RMDs) from their IRA and 401(k) accounts by the end of each year. The negative consequences of these regulations are twofold: seniors are forced to lock-in investment losses while also taking their savings out of the capital-starved markets for stocks and bonds.

According to the most recent data available, these distributions resulted in almost \$78 billion in investment capital being withdrawn, two-thirds of which comes directly out of the stock market.

Recognizing the harsh effect of these rules, Congress took an important first step at the end of the 110

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Congress and suspended the distribution requirement for the 2009 tax year.

But more must be done.

Though 2009 has already begun, it is not too late to assist seniors who were forced to take RMDs at the end of last year. Today we introduced the IRA Equity for Seniors Act, which will allow seniors who took their 2008 RMDs to recontribute them into their annuity accounts without suffering a tax penalty. This legislation will allow for much needed funds to reenter our markets and assist in getting our economy back on track. Please consider supporting the inclusion of this bipartisan proposal as part of the stimulus legislation.

With immediate action, we can provide much-needed relief to seniors across the country while also stimulating the economy through the reinvestment of those savings.

Respectfully,

Spencer Bachus

Member of Congress

Rodney Frelinghuysen

Member of Congress

cc: The Honorable Nancy Pelosi, Speaker of the House

The Honorable John Boehner, House Republican Leader

The Honorable Harry Reid, Senate Majority Leader

The Honorable Mitch McConnell, Senate Republican Leader