

WASHINGTON – Congressman Spencer Bachus (AL-6) said an important step has been taken to help senior citizens whose retirement savings have been hit by market losses.

The House and Senate have approved a pension bill containing a provision that suspends the minimum distribution requirement for retirement accounts for the year 2009. Bachus and Rep. Rodney Freylingheusen (NJ) had teamed to sponsor legislation to provide relief to older Americans who would otherwise be subjected to a tax penalty for not tapping into their accounts.

“Federal tax law should not force seniors to take money from the retirement accounts at a time when the value of their investments has plummeted. This will be welcome news for seniors affected by the market downturn, although I will continue to advocate that relief be granted to seniors for this current year as well,” Bachus said.

On November 19, Bachus and Rep. Frelinghuysen (NJ) introduced “The Temporary IRA Distribution Suspension Act” (H.R. 7277), which proposed waiving the minimum distribution requirement for seniors 70 ½ years and older for both 2008 and 2009. Savers who fail to take out money from their Individual Retirement Accounts (IRAs) or 401(k) plans can face a

tax penalty as high as 50 percent.

Bachus said he would continue to press for relief covering calendar year 2008. He has written to the Treasury Department to seek an administrative remedy.

“It is my hope that you will use the flexibility provided by the statute to suspend the tax penalty and allow retirees to protect their savings from the current bear market by temporarily suspending Required Minimum Distributions,” Bachus wrote.

In a December 10th reply to Bachus, a Treasury Department official agreed that administrative options should be considered, and said the agency and Internal Revenue Service will look into ways to help seniors affected by the minimum distribution requirement.