

Business Insurance

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Ways and Means looks at cementing 401(k) boosts

by Jerry Geisel

WASHINGTON—Budget legislation now being assembled in the House Ways and Means Committee is likely to make permanent provisions in a 2001 tax law that temporarily boosted contributions that can be made to 401(k) plans, a committee member says.

That 2001 law—the Economic Growth and Tax Relief Reconciliation Act—boosted in \$1,000 annual increments the maximum annual deferral employees can make to 401(k) plans. Next year, the maximum deferral will be \$15,000, compared with the 2002 maximum of \$11,000.

That same law also allows employees age 50 and older to make extra contributions to the plans. This year, older employees can contribute an extra \$4,000 to their 401(k) plans, and next year they can kick in an additional \$5,000 in so-called catch-up contributions.

Without new congressional action, that sweetening of permitted 401(k) contributions will end in 2010 under EGTRRA sunset provisions.

But Rep. Sam Johnson, R-Texas, speaking Tuesday at a meeting in Washington sponsored by the National Center for Policy Analysis, a

public policy research organization, said a so-called budget reconciliation bill the committee is putting together would make those 401(k) changes permanent.

Rep. Johnson also said the committee is likely to consider legislation to make it easier for employers to automatically enroll employees—unless they object—in their 401(k) plans.

Additionally, the committee might consider legislation to make it more tax-advantageous for pension and savings plan participants to take benefits as an annuity paid in monthly installments rather than as a lump sum.