



NEWS

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President Supports Tax-Free Savings Plans

Proposed savings accounts to have no income limitations, may be centerpiece of Bush's reelection tax agenda

WASHINGTON – The Bush administration is now in the process of formulating a sweeping election-year proposal to encourage and increase individual savings through two new tax-exempt accounts. The accounts will represent what the president calls an “ownership society” that will maintain and build upon the more immediate stimulus of cutting taxes.

The two accounts, a “lifetime savings account” (LSA) and a “retirement savings account” (RSA), would operate like Roth individual retirement accounts (IRAs): contributions would not be tax deductible, but interest and investment income would accrue tax-free and would not be taxed on withdrawal. However, unlike traditional and Roth IRAs there would be no income caps to bar participation.

“LSAs and RSAs are excellent ideas that will encourage and enable Americans to improve their quality of life both today and when they retire,” said taxpayer advocate Grover Norquist, President of Americans for Tax Reform in Washington D.C. **“The concept of traditional and Roth IRAs is good, but the income caps limited their usefulness. LSAs and RSAs fix that problem and increase contribution limits to boot.”**

Concerned over the nation’s low 3% savings rate, conservative groups including ATR have furnished savings account plans similar in nature to the administration’s proposal. LSAs and RSAs, which would eventually replace IRAs, would boost the contribution limit to \$7,500, up from \$3,000 for IRAs. Additionally, there would be no income qualifications for participation. Currently, a married couple that has an adjusted gross income of more than \$160,000 does not qualify for Roth IRAs.

To make the accounts more appealing to low-income workers and head off certain criticism of the plans only benefiting wealthy Americans, the administration may attempt to expand a government- matching program for low-income savers that was created in the 2001 tax cut.

“Cutting taxes will help Americans build wealth and LSAs and RSAs will enable them to preserve it,” continued Norquist. **“Just as importantly, these savings accounts will make Americans more comfortable with the concept of private accounts for Social Security. Bravo, Mr. President!”**

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases.
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