CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 9, 2002

H.R. 5558

Retirement Savings and Security Act of 2002

As ordered reported by the House Committee on Ways and Means on October 8, 2002

SUMMARY

H.R. 5558 would make several changes to retirement plan provisions of the Internal Revenue Code of 1986. First, H.R. 5558 would accelerate the increase in the maximum annual limit on contributions to individual retirement arrangements (IRAs) so that it is $5,000 starting in 2003, indexed for inflation after 2008. Under current law, the maximum limit is not scheduled to reach $5,000 until 2008. H.R. 5558 would also accelerate the increases in the maximum annual dollar limit on elective deferrals generally (including those under sections 401(k) and 403(b), and salary reduction simplified employee pensions (SEPs)) to $15,000 in 2003, on elective deferrals under SIMPLE plans to $10,000 in 2003, and on deferrals under section 457 to $15,000 in 2003. These dollar amounts would be indexed for inflation after 2006.

The bill also would increase the maximum catch-up contribution for qualified cash or deferred arrangements, tax-sheltered annuities, salary reduction SEPs and section 457 plans to $5,000 and increase the maximum catch-up contribution for SIMPLE plans to $2,500. These dollar amounts would also be indexed for inflation after 2006.

Finally, for all types of tax-favored retirement arrangements, H.R. 5558 would increase the age of the participant at which distributions must begin to 73 in 2003 and 2004, 74 in 2005 and 2006, and 75 in 2007 and thereafter. Under current law, distributions must begin generally no later than when the participant turns 70-1/2.

The Joint Committee on Taxation (JCT) estimates that enacting H.R. 5558 would reduce revenues by $1.6 billion in 2003, by $14.2 billion over the 2003-2007 period, and by $41.5 billion over the 2003-2012 period. JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5558 is shown in the following table. All revenue estimates of H.R. 5558 were provided by JCT.

	By Fiscal Year, in Millions of Dollars									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CHANGES IN REVENUES										
Acceleration of increases in IRA contribution limit	-389	-893	-877	-764	-838	-825	-779	-833	-1,760	-2,989
Acceleration of scheduled increases in pension plan contribution limits	-322	-417	-257	-127	-110	-115	-116	-123	-982	-1,415
Updating of minimum distribution rules	-894	-1,702	-1,561	-2,250	-2,760	-3,114	-3,462	-3,368	-3,592	-3,843
Total Estimated Changes in Revenues	-1,605	-3,012	-2,695	-3,141	-3,708	-4,054	-4,357	-4,324	-6,334	-8,247

Source: Joint Committee on Taxation.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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