



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

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LOW PERSONAL SAVINGS RATE UNDERLINES NEED FOR SAVING INCENTIVES

— IRA Expansion Would Offset Anti-Saving Bias in Tax Code —

WASHINGTON, D.C. — Recent releases of government data showing the lowest personal savings rate in 50 years provide further support for expanding Individual Retirement Accounts (IRAs) and other personal saving incentives, Congressman Jim Saxton said today. **The Commerce Department's most recent quarterly and monthly data each show the amount of new personal saving as a negative number.**

“Overall the economy is currently very strong, but one of the biggest problems in the longer term is the inadequate level of personal saving,” Saxton said. “Personal saving fuels investment in the latest tools and technologies needed for healthy long-term economic growth. Personal saving is also an essential source of financial security for families who will one day need funds for medical emergencies, education, housing, retirement, and other purposes.

“The central problem is the biased nature of our current tax system. A dollar consumed is taxed once, but a dollar saved is taxed, and taxed again on its return multiple times. This heavier taxation of saving relative to consumption reflects a bias that can be limited by IRA expansion and other measures. That is why a number of members of Congress have offered legislation to expand IRA accounts and facilitate other forms of saving as well.

“The current tax discrimination against saving is counterproductive. The economy is strong now, but adequate levels of personal saving will be needed to finance a healthy rate of growth into the next century. While everyone in Washington likes to bemoan the low savings rate, the time for action has long since passed to make the tax changes necessary to address this problem. I have long supported aggressive measures to increase significantly IRA deductions and make them much more broadly available to taxpayers.

“Several IRA bills have been introduced thus far in this session of Congress. My legislation, H.R. 876, would increase the IRA deduction over time from \$2,000 to a level of \$7,000. It also would make the IRA deduction available to tens of millions of taxpayers who are not eligible under current law. This legislation has been cosponsored by Majority Leader Dick Armev, Democratic Caucus Chairman Martin Frost, and a number of other distinguished members of Congress. Given the bipartisan support for IRA expansion, I am confident that expanded IRAs will be incorporated into tax measures Congress considers related to saving and retirement security,” Saxton concluded.

For more information on IRAs and other saving incentives, please visit the JEC website at <http://www.house.gov/jec/>.



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