



Association of Ameritech /SBC Retirees, IncSM

Proudly working on behalf of the retirees of the AT&T Midwest Region, SBC Midwest Region, Ameritech, and predecessor/successor Bell Companies of the New AT&T, located throughout the United States

Legislative Ledger

January 7, 2009

Bush signs bill on 401(k) Minimum Deferral Requirements

President Bush, on December 22, 2008, signed legislation that temporarily suspends a tax penalty for senior citizens who do not take a minimum withdrawal from their 401(k)'s and other retirement accounts in 2009. But it only covers minimum withdrawal requirements for 2009 and NOT 2008.

In a recent Washington Post article, sixty-one members of Congress asked President Bush to direct Secretary of the Treasury, Henry Paulson, to waive the so-called required minimum distribution rule also for 2008. (Under present law, retirees older than 70 1/2 have to withdraw money from their defined contribution savings plans by December 31st of each year or pay 50 percent of that minimum in taxes. The amount they must withdraw is a percentage based on the account's balance at the end of the previous year.

The Treasury and IRS have currently decided not to change the rule for 2008. A Treasury official wrote that the agency was limited in its ability to make administrative changes and that changing the rules would be too complicated.

Even though there is some congressional support for doing so, it is AASBCRSM's opinion that the minimum distribution rule will not be changed for 2008 taxes.

The NRLN strategists are currently considering the pros and cons of initiating a grass roots campaign to attempt to push congress to act on the issue. Even though the probability of success is small, if the NRLN leadership asks us to support such an initiative, it will be important for all of us to respond. Showing solidarity on retiree issues is necessary for us to be heard by our legislators.