THE TAX CREDIT FOR LOW- AND MIDDLE-INCOME SAVERS IN THE SENATE FINANCE COMMITTEE PENSION BILL: WOULD LOWER-INCOME FAMILIES REALLY BENEFIT?

by Peter Orszag, Robert Greenstein, Iris Lav, and James Sly

The Senate Finance Committee passed the Retirement Security and Savings Act of 2000 on September 7. The legislation now goes to the Senate floor, where it is expected to be approved in the near future.

The Senate bill is similar to a pension bill the House of Representatives approved in July.\(^1\) One of the major differences between the House and Senate versions, however, is a tax credit for low- and middle-income savers that is included in the Senate version. This progressive tax credit is seen by some as offsetting the other regressive measures in the pension legislation. As this paper shows, however, the vast majority of lower-income savers would not benefit from the tax credit, and families with somewhat higher incomes would benefit only modestly.

- Three-quarters of the families who would qualify on paper for the maximum credit would be excluded because the credit is not refundable. Those excluded represent more than 20 million families.

- For many families with somewhat higher incomes, the credit would provide such a small incentive for saving as to be of little value. For example, a married couple with two children earning $45,000 a year would receive only a $200 tax credit for depositing $2,000 into a retirement account.

Furthermore, despite a few beneficial provisions, lower- and moderate-income workers may see their pension security undermined by other provisions in the bill.

The basic logic of the tax credit for low- and middle-income savers is sound. Pension coverage rates are much lower for lower-income workers than higher-income workers. For example, in 1999, only 6 percent of workers earning less than $10,000 per year were covered by a pension, relative to 76 percent of workers earning more than $50,000 per year.\(^2\) Yet the evidence

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on 401(k) participation rates suggests that if lower earners are offered a match for contributions they make, a surprisingly high percentage of them decide to contribute. In addition, contributions made by such lower earners are much more likely to represent new saving, rather than just shifting of existing assets into tax-preferred accounts, than contributions made by higher earners.

A progressive tax credit for saving is thus an auspicious means of encouraging lower- and moderate-income workers to save for retirement. The Senate Finance Committee bill ostensibly reflects this logic: It would provide a tax credit equal to a given percentage of the amounts put into retirement accounts by lower- and moderate-income workers. The tax credit would be progressive, beginning at 50 percent of the amounts (up to $2,000) deposited by the lowest-income families and gradually phasing down to zero percent. Married couples with incomes over $50,000 and single taxpayers with incomes over $25,000 would be ineligible for the credit.

Several crucial details of the credit, however, result in its being of very limited value. It would provide no benefit to the vast majority of lower-income workers and only a very small benefit to others:

- Since the tax credit is not refundable, it would provide no additional saving incentive to three-quarters of the families — and more than 90 percent of tax filers who are not single individuals — who would otherwise qualify on paper for the 50 percent credit rate based on their income (under $20,000 for married couples and $10,000 for singles). These people would be excluded from the credit because they have no income tax liability against which the credit could be applied. By contrast, the Clinton Administration’s progressive saving tax credit (the Retirement Saving Account proposal) is structured so that it does not depend on whether the family owes income tax and thus does not exclude millions of families from the savings incentive.

- For families with somewhat higher incomes, the fact that the credit is not refundable poses much less of a problem. But for these families, the credit would

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3 For example, data from 1993 suggest that 44 percent of workers earning between $10,000 and $15,000 in 1993 who were offered the opportunity to participate in a 401(k) chose to do so. Only 21 percent were offered the opportunity, so that the overall participation rate was only 9 percent. Source: U.S. Department of Labor, Social Security Administration, Small Business Administration, and Pension Benefit Guaranty Corporation, *Pension and Health Benefits of American Workers*, 1994, Table C7.

provide such a small incentive for saving as to be of little value. For example, a married couple with two children earning $45,000 a year would receive only a $200 tax credit for depositing $2,000 into a retirement account. This small credit represents a very low matching rate and therefore provides little incentive to participate.

Furthermore, the credit thresholds in the Senate Finance Committee bill are not indexed to inflation. This means that the number of families excluded from it would increase with each passing year, and its value to those who do qualify for it would diminish over time.

In 2005, the final year before the credit is ostensibly sunset, it would cost $1.1 billion. This cost is less than one-third as much as the cost in that year of the IRA provisions included in the bill, which would primarily benefit upper-income taxpayers.5

In addition to a tax credit for saving that is more apparent than real, the Senate Finance Committee bill includes many provisions that not only tilt pension tax subsidies further toward people at the top of the income spectrum, but could harm lower- and moderate-income workers. For example, the legislation would raise the amount of compensation that could be taken into account in computing pension contributions or benefits. As explained below, this change would provide a direct benefit only to the top one percent of earners and could reduce benefits for rank-and-file workers. In addition, the legislation would loosen the nondiscrimination and “top heavy” protections that are intended to ensure that firms do not skew excessive proportions of their pension contributions to highly paid owners and executives at the expense of rank-and-file workers.

The upshot is that the legislation as a whole provides very little benefit to low- and middle-income families, the ones with the lowest current rates of pension coverage and retirement savings, and may harm them. Without further modification, it does not represent sound pension policy.

The Tax Credit for Low- and Middle-income Savers

The legislation the Senate Finance Committee passed includes a temporary nonrefundable income tax credit to encourage saving among lower- and middle-income families. Qualifying taxpayers would receive a credit for up to $2,000 in contributions to a pension plan or IRA.

The credit rate depends on a taxpayer’s income. The table below gives the income thresholds for the various credit rates.

5 Joint Tax Committee, JCX-94-00, September 8, 2000.
The system is not precisely the equivalent of a 100 percent match, since the individual must have sufficient financial resources to “front” the government credit amount. In other words, the individual must have access to $2,000 to deposit into the account. If the deposit is made during the calendar year, the tax credit will not be immediately available (since tax returns are not processed until the following spring). The individual could theoretically adjust his or her withholding rate to reflect the credit, but few individuals do so in practice.

To understand how the credit works, consider a taxpayer qualifying for the 50 percent credit rate. The taxpayer would deposit $2,000 into an IRA and receive a $1,000 tax credit (50 percent of $2,000). As a result, the net cost to the individual is $1,000 (the $2,000 upfront cost minus the $1,000 tax credit). The 50 percent tax credit is thus the effective equivalent of a 100 percent matching rate: In return for a net contribution of $1,000, the taxpayer has an account balance of $2,000, the same as if the taxpayer put $1,000 into the account, and had a $1,000 match from the government.  

The credit — especially at the 50 percent credit rate — thus appears to be quite generous; effective matching rates of 100 percent are high and are the type of strong incentive that should help to encourage more lower-income families to save for retirement. But the generous credit is more apparent than real. The credit is nonrefundable (that is, if a family has no income tax liability for the credit to offset, the credit is forfeited). Since the lower-income families that are eligible on paper for the 50 percent credit generally have no tax liability for the credit to offset, the credit is not available to them.

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Table 1

<table>
<thead>
<tr>
<th>Credit rate</th>
<th>Married couples filing jointly</th>
<th>Heads of households</th>
<th>All other filers</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 percent</td>
<td>$0-$20,000</td>
<td>$0-$15,000</td>
<td>$0-$10,000</td>
</tr>
<tr>
<td>30 percent</td>
<td>$20,001-$25,000</td>
<td>$15,001-$18,750</td>
<td>$10,001-$12,500</td>
</tr>
<tr>
<td>25 percent</td>
<td>$25,001-$30,000</td>
<td>$18,751-$22,500</td>
<td>$12,501-$15,000</td>
</tr>
<tr>
<td>20 percent</td>
<td>$30,001-$35,000</td>
<td>$22,501-$26,250</td>
<td>$15,001-$17,500</td>
</tr>
<tr>
<td>15 percent</td>
<td>$35,001-$40,000</td>
<td>$26,251-$30,000</td>
<td>$17,501-$20,000</td>
</tr>
<tr>
<td>10 percent</td>
<td>$40,001-$45,000</td>
<td>$30,001-$33,750</td>
<td>$20,001-$22,500</td>
</tr>
<tr>
<td>5 percent</td>
<td>$45,001-$50,000</td>
<td>$33,751-$37,500</td>
<td>$22,501-$25,000</td>
</tr>
<tr>
<td>0 percent</td>
<td>Over $50,000</td>
<td>Over $37,500</td>
<td>Over $25,000</td>
</tr>
</tbody>
</table>

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The credit is nonrefundable (that is, if a family has no income tax liability for the credit to offset, the credit is forfeited). Since the lower-income families that are eligible on paper for the 50 percent credit generally have no tax liability for the credit to offset, the credit is not available to them.
As shown in the table above, the 50 percent credit rate would be available only to married couples filing jointly that have Adjusted Gross Income (AGI) of $20,000 or less, heads of household with AGI of $15,000 or less, and other filers with AGI of $10,000 or less. The vast majority of such filers have no income tax liability.\textsuperscript{7} Since the tax credit is nonrefundable, they could receive no benefit from it.

For example, the $15,000 limit for heads of households means that almost no such taxpayers could possibly receive the tax credit. Under current law, because of the standard deduction, personal exemptions, and child credit, a single parent with one child begins owing income tax at $15,383 in Adjusted Gross Income, which is above the $15,000 limit for the 50 percent credit rate. Single parents with more children begin owing tax at higher income levels. Thus, single parents are automatically excluded from benefitting from the 50 percent credit rate.\textsuperscript{8}

Similarly, no married couples with two or more children could possibly benefit from the 50 percent credit, and very few married couples with one child could benefit. A married couple with two children starts owing income tax at an AGI of $25,217, which is above the $20,000 threshold for the 50 percent credit rate. A married couple with one child starts owing income tax at an AGI of $19,083, just slightly below the $20,000 threshold, so that most such families would be automatically excluded. (Only those with incomes between $19,083 and $20,000 could use the 50 percent credit. Moreover, in two to three years, no married couples with children would be eligible for the 50 percent credit rate, because the income level at which a married couple with one child begins owing income tax would be raised above the $20,000 level while the $20,000 threshold for eligibility would remain unchanged because it would not be indexed.)

The table below, based on calculations by Professor Jeffrey Liebman of Harvard University, shows the number of families with AGI in the relevant income range for the 50 percent credit, as well as the number that have no income tax liability and would therefore be excluded from benefitting from the credit.

- As the table shows, almost 29 million tax filing units are in the relevant income range for the 50 percent tax credit. But 74 percent of these -- or 21.3 million families -- have no tax liability and could not benefit from the nonrefundable credit.

\textsuperscript{7} The income tax liability that is relevant for measuring the incentives provided by the credit is the pre-EITC income tax liability. If a tax filer has no pre-EITC tax liability for the saving credit to offset, the filer’s net tax (after EITC) is unaffected by the existence of the credit. (The only exception is families with three or more children; for such families, the child credit is partially refundable. For some families with three of more children, the savings tax credit may therefore be beneficial even if they have a zero pre-EITC tax liability, since they could receive a larger child credit refund.)

\textsuperscript{8} It is possible that a very small number of heads of households, who qualify for that status because they care for a dependent who is not a child, may partially qualify for the 50 percent credit. But the vast majority of heads of households are single parents with children.
Furthermore, 87 percent of married couples in the relevant income range could not benefit, and 98 percent of heads of households could not benefit.

**Table 2**

| Families in the Relevant Income Range But Excluded From the 50 Percent Credit |
|----------------|--------------------|--------------------|-----------------|----------------------|
|                | Total number       | Number who          | Number who       | Share automatically |
|                | (millions)         | could not benefit   | could potentially| excluded because    |
|                |                    | because their pre-| benefit (millions)| of nonrefundability|
|                |                    | EITC tax liability  |                  |                      |
|                |                    | is zero (millions)  |                  |                      |
| Married couples with AGI<$20,000 | 6.3                | 5.5                | 0.8              | 86.6%                |
| Heads of household with AGI<$15,000 | 5.1                | 5.0                | 0.1              | 98.2%                |
| Single filers with AGI<$10,000 | 17.3               | 10.9               | 6.4              | 62.9%                |
| TOTAL          | 28.7               | 21.3               | 7.4              | 74.4%                |

Source: Calculations by Professor Jeffrey Liebman, based on the 1995 Statistics of Income data. The calculations project each tax filing unit’s income between 1995 and 2001 based on aggregate personal income growth, and reflect the impact of the child credit (which was not available in 1995).

- Of all filers in the relevant income range other than single filers, 92 percent would be excluded. The vast majority of those who could potentially benefit are single individuals without children.

These figures are imprecise for a variety of reasons. But their general message is unambiguous: the combination of the income thresholds for the 50 percent credit and its nonrefundability mean that it would provide no incentive for saving to the large majority of low-income families.

The Senate Finance Committee bill includes less-generous credit rates for earners at somewhat higher income levels. For example, married couples earning between $20,001 and $25,000 would qualify for a 30 percent tax credit, and married couples earning between $25,001 and $30,000 would qualify for a 25 percent tax credit. Even at these lower credit rates, however,

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Various potential biases affect the figures in different directions, but the overall estimate is unlikely to be significantly biased. Nonetheless, the biases are worth delineating. First, the figures are based on data from the 1995 Statistics of Income. The 1995 income levels for each tax filing unit were projected to 2001 levels using aggregate personal income growth; such a simplification may not be appropriate. Second, the child credit did not exist in 1995, and its effects had to be estimated. The estimation procedure has small potential errors in it. Third, the number of tax filing units is simply taken from 1995, rather than updated to 2001. Fourth, those who could potentially benefit may not be able to benefit fully: A taxpayer with $300 in pre-EITC tax liability, for example, would not be able to benefit fully from the credit but is listed as potentially benefitting. Fifth, as noted in a footnote above, the pre-EITC tax liability is not the appropriate measure of the potential incentive from the savings tax credit for some families with three or more children. Finally, the credit proposal excludes full-time students, as well as those under 18. The calculations do not reflect those exclusions.
Table 3
Illustrative Examples of Credit Amounts for Single Parent With Two Children

<table>
<thead>
<tr>
<th>Income (AGI)</th>
<th>Amount deposited</th>
<th>Credit rate on paper</th>
<th>Credit received</th>
<th>Actual credit rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td>$2,000</td>
<td>50%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>$25,000</td>
<td>$2,000</td>
<td>20%</td>
<td>$400</td>
<td>20%</td>
</tr>
<tr>
<td>$35,000</td>
<td>$2,000</td>
<td>5%</td>
<td>$100</td>
<td>5%</td>
</tr>
<tr>
<td>$45,000</td>
<td>$2,000</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

Table 4
Illustrative Examples of Credit Amounts for Married Couple With Two Children

<table>
<thead>
<tr>
<th>Income (AGI)</th>
<th>Amount deposited</th>
<th>Credit rate on paper</th>
<th>Credit received</th>
<th>Actual credit rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td>$2,000</td>
<td>50%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>$25,000</td>
<td>$2,000</td>
<td>30%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>$35,000</td>
<td>$2,000</td>
<td>20%</td>
<td>$400</td>
<td>20%</td>
</tr>
<tr>
<td>$45,000</td>
<td>$2,000</td>
<td>10%</td>
<td>$200</td>
<td>10%</td>
</tr>
</tbody>
</table>

Many families would still be automatically excluded: For example, among married couples with incomes between $20,001 and $30,000, more than one-third have no income tax liability.

Tables 3 and 4 show that even among those who would benefit from the credit, the credit amounts are often small. A married couple with two children and $35,000 in income would receive $400 in exchange for depositing $2,000 into a retirement account, a 20 percent credit rate (or an effective 25 percent matching rate, since the net contribution from the couple would be $1,600 and the net contribution from the government would be $400). A single parent with two children and $35,000 in income would receive $100 for making a $2,000 contribution, an even-less-attractive 5 percent credit rate (or 5.3 percent effective matching rate). At $45,000 in income, a single parent with two children would receive no credit, while a married couple with two children would receive only $200 to offset the cost of the $2,000 contribution.
Other Provisions in the Legislation

The tax credit for low- and middle-income savers would provide little or no incentive for saving to most lower-income families. Several other provisions in the Senate Finance Committee legislation would be beneficial. For example, the bill would require faster vesting for some types

Changes in the Tax Credit During the Senate Finance Committee Markup Process

The tax credit for low- and middle-income savers was modified as the legislation was prepared for markup by the Senate Finance Committee. These modifications did not create the problems this paper describes regarding the credit’s limited usefulness and coverage, but did exacerbate these problems. The original proposal, itself, would have excluded millions of lower-income savers from benefitting from the credit and provided weak incentives to save for other eligible families with somewhat higher incomes.

As originally proposed, and as described in a document the Joint Committee on Taxation issued on September 5, 2000, the tax credit would have offered a 50 percent credit for contributions made by married couples with incomes up to $30,000, a 25 percent credit for married couples with incomes between $30,001 and $40,000, a 5 percent credit for married couples with incomes between $40,001 and $50,000, and no credit for married couples whose income exceeded $50,000. The original credit, like the modified version the Finance Committee passed, would have excluded millions of families from eligibility because it was not refundable. Some 63 percent of married couples with incomes under $30,000 have no income tax liability and would have been excluded from the credit.

The original proposal was modified in order to smooth the credit rates and avoid the abrupt movement between the 50 percent and 25 percent credit rates that occurred in the original proposal. But in the process of smoothing the credit rates, the income thresholds for the maximum credit were reduced, and the credit rates were lowered for all married couples except those with incomes between $40,000 and $45,000. (These couples have a slightly higher credit rate under the revised proposal — 10 percent — than the 5 percent rate they would have received under the original proposal.) As a result of these changes, the Joint Committee on Taxation reduced its estimate of the cost of the tax credit in 2005 from $1.3 billion to $1.1 billion.

The modifications thus exacerbated the problems with the original proposal. The original proposal would have excluded millions of low-income families who qualified for the credit on paper and provided only a weak incentive for saving to many of the families who could use the credit. The revised proposal moves still farther in that direction.
of pension contributions. It also simplifies the rules on rolling over account balances from one type of retirement account to another, which may increase pension portability for some workers. And unlike the House-passed bill, the Senate Finance Committee bill includes a progressive tax credit for contributions made on behalf of rank-and-file workers in new small business pension plans.

Despite these helpful provisions, however, the Senate Finance Committee legislation as a whole could harm lower- and moderate-income families, as could the House-passed bill. For example, the Senate legislation would raise the amounts that can be contributed to an IRA from $2,000 to $5,000 (and to $7,500 for those over 50). Only 4 percent of eligible taxpayers currently contribute the maximum $2,000 amount to an IRA. These are the only taxpayers who would directly benefit from the change: those who can not afford to deposit $2,000 in a IRA cannot deposit $5,000 and consequently would not be affected by an increase in the IRA contribution limit. Furthermore, this provision could reduce pension coverage among workers in small businesses. Under current law, a small business owner can contribute $2,000 to his or her own IRA and another $2,000 to his or her spouse’s IRA, or $4,000 in total. Under the legislation, a small business owner and his or her spouse could deposit a total of $10,000 into their IRAs (or $15,000 if they were older than 50) rather than $4,000.

With the higher proposed limits, the small business owner may not see the need for a company pension plan and may drop such a plan (or fail to institute a plan in the first place). Indeed, if the owner’s income is above the income limits for both Roth and traditional IRAs, the only way in which the owner could benefit from the increase in the IRA limit is by dropping the pension plan through the small business (there is no income limit on traditional IRA contributions for those not covered by an employer-provided plan). This is the opposite of the trickle-down effect the bill's supporters tout. As Donald Lubick, then Assistant Secretary of the Treasury for Tax Policy, noted in Congressional testimony, "Currently, a small business owner who wants to save $5,000 or more for retirement on a tax-favored basis generally would choose to adopt an employer plan. However, if the IRA limit were raised to $5,000, the owner could save that amount — or jointly with the owner's spouse, $10,000 — on a tax-preferred basis without adopting a plan for employees. (Indeed, if the owner’s income were above the limits for eligibility for IRAs, the only way in which the owner could become eligible for a traditional IRA is if the owner was not covered by an employer-provided plan. The income limits for eligibility do not apply if the owner is not covered by a pension.) Therefore, higher IRA limits could reduce

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10 Vesting occurs when a worker acquires a right to a pension benefit. Once a worker is vested, his or her pension benefit cannot be taken away if the worker switches jobs. If a worker whose employer has contributed $1,000 to the worker’s pension leaves the firm before the worker is vested, the worker is not entitled to any pension benefit from this contribution.

interest in employer retirement plans, particularly among owners of small businesses. If this happens, higher IRA limits would work at cross purposes with other proposals that attempt to increase coverage among employees of small businesses."

As another example, the legislation would raise the amount of compensation that can be taken into account in computing pension benefits or contributions from $170,000 to $200,000. Consider a small business owner with compensation of $250,000 who wants to have the business contribute at least $10,000 a year to his pension. Given the current compensation limit of $170,000, the small business owner adopts a pension plan that contributes six percent of a worker's compensation. The pension contribution for the owner is six percent of the $170,000 limit, or a little over $10,000. The pension contribution for other employees in the firm also is six percent of their compensation. If the maximum compensation level used in figuring pension contributions were increased to $200,000 as the legislation provides, the business owner could reduce the contribution rate for his employees to five percent and still have the firm contribute $10,000 to his pension.

All of the other employees in the firm, as well, would then receive contributions of five percent of compensation, rather than six percent. The employer contribution for an employee who earns $40,000 would drop from $2,400 (six percent of $40,000) to $2,000 (five percent of $40,000).

A number of the legislation's other pension provisions also could harm low- and middle-income workers. These include the provisions loosening the non-discrimination and top-heavy protections against disproportionate pension benefits for higher-income owners and executives, as well as the provisions reducing the need for firms to offer "money-purchase" plans (a type of defined contribution plan that is particularly important to, and beneficial for, lower-income workers, because it involves automatic employer contributions without an employee contribution).

Under current law, for example, "top-heavy" protections apply to plans in which 60 percent or more of the pension benefits accrue to "key employees" such as owners and highly paid executives. These protections require firms to take steps to protect middle- and low-income workers in such circumstances, through accelerated vesting and certain minimum contributions or benefits. The Senate bill would significantly weaken the top-heavy safeguards (by redefining who qualifies as a "key" employee, by selectively counting and not counting certain pension contributions in evaluating whether a plan meets the top-heavy criteria, by changing the rules governing the division of assets among family members, and by exempting certain types of 401(k) plans from the rules).

The legislation also would significantly reduce firms' incentives to maintain the type of

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12 Statement of Donald C. Lubick, Assistant Secretary of the Treasury for Tax Policy, before the Subcommittee on Oversight, House Committee on Ways and Means, March 23, 1999.
plan — known as a "money purchase" pension plan — that ensures a pension for many lower-income workers. Under a money purchase plan, a firm is required to contribute a fixed percentage of each worker's compensation to the plan without requiring that employees contribute. By contrast, under 401(k) plans, the percentage of compensation that the employer contributes varies; it depends on the percentage of compensation the employee contributes. Higher-income workers tend to contribute a larger percentage of pay. Hence, they tend to secure employer contributions that equal a higher percentage of their wages. Several provisions in the Senate bill would reduce greatly the incentives for some firms to offer a money purchase plan as part of a larger pension package. Over time, this provision would likely lead to a significant reduction in money purchase plans, which would cause many lower-wage workers to lose the one significant source of pension coverage they currently enjoy.

Most of these provisions of the Senate Finance Committee bill (as well as of the House-passed bill) are drawn from legislation introduced in the House by Reps. Rob Portman and Ben Cardin. In analyzing the effects of that legislation, Norman Stein, the Douglas Arant Professor of Law at the University of Alabama School of Law, concluded, "Although there are good things in the Portman-Cardin bill, some of its major provisions would not contribute enough to good retirement policy to justify their substantial price tags, and other of its provisions would harm more people than they would help. It would be ironic and deeply unfortunate if this well-intentioned but flawed legislation is enacted, for it may well be remembered as a retirement reduction act. I fear that this possibility, an illustration of the law of unintended consequence, is all too real."

Conclusion

The credit for lower- and middle-income savers, designed to address concerns about the regressivity of the pension legislation before Congress, is something of a chimera. Most low-income families, especially ones with children, would not qualify for it: More than 20 million low-income families with incomes in the qualifying range would be automatically excluded from the 50 percent tax credit.

The tax credit is insufficient to address the other serious problems the legislation poses, and other steps would need to be undertaken to ensure that the benefits of the bill outweigh its costs. In the form passed by the Senate Finance Committee, the bill is as likely (if not more likely) to harm lower-income workers as to help them.