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Savings Under Tax Reform: Tax Advisory Panel Letter

May 17, 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
Suite 2100
Washington, DC 20220

Dear Chairman Mack, Chairman Breaux, and Panel Members:

The American Society of Pension Professionals and Actuaries (ASPPA) applauds your efforts to fashion a simpler, fairer and more pro-growth tax system and welcomes your invitation to participate in the debate. Like you, we believe our tax system can and should be improved. But this belief is balanced by a wariness that the enthusiasm for broad reform may jeopardize some tax provisions that have played an important role in America's economy.

This need to preserve successful sections of the tax code is reflected in President Bush's charge to your panel where he stresses the need to retain incentives that promote home purchases and charitable giving. We believe a compelling case can be made to afford equal protections to provisions that encourage retirement savings. As the Social Security debate of recent month has shown, Americans are appropriately worried about economic security in retirement.

The ASPPA Pension Education and Research Foundation recently commissioned a study by Optimal Benefits Strategies to examine the issue. It is appended and we ask that it be included in the public record. This analysis looks specifically at several suggested tax reform options, including the reduction or elimination of the tax on capital gains and dividend payments, as a strategy to boost national saving. The report concludes that while this goal might be achieved, it would be at a high cost – the loss of retirement savings plans for millions of Americans of modest means. Frankly, this is too high a price to pay, particularly when there are other mechanisms that could increase savings without jeopardizing the nation's retirement system.

We hope you find our comments and the report helpful and stand ready to respond to any questions you may have about them. You have our thanks for embarking on this important and challenging mission and our confidence that you'll be sensitive to the negative impacts of any such proposed changes.

Sincerely,

Brian H. Graff, Esq., APM
Executive Director/CEO