



HR1595

LRB095 22802 HLH 53236 r

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HOUSE RESOLUTION

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WHEREAS, Current federal tax law requires almost all participants in approved 401(k) programs to commence required minimum distributions of savings from these programs during the year after the year in which the participant reaches the age of 70 1/2; if these participants do not do so, almost all of them are made to suffer a stiff federal income tax penalty; and

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WHEREAS, As a federal income tax penalty, a senior citizen subject to the age-70 1/2 law is required to pay a supplemental income tax of 50% upon the amount by which the required minimum disbursement exceeds the actual distribution; and

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WHEREAS, This 50% penalty income tax rate is one of the highest federal income tax rates currently on the books of the federal income tax code, effectively prevents any retired senior-citizen 401(k) participant from maintaining his or her position in a 401(k) plan, and forces him or her to commence liquidating the plan; and

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WHEREAS, One exception to this minimum distribution requirement applies to most 401(k) participants over the age of 70 1/2 who are continuing to work at the place of employment that is the sponsor of the 401(k) plan from which the distribution is being deferred; and

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1           WHEREAS, Current financial conditions should lead Congress  
2 and the federal government to encourage Americans, including  
3 senior citizens, to save as many assets as possible, rather  
4 than drawing down existing savings and liquidating their 401(k)  
5 plans; therefore, be it

6           RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE  
7 NINETY-FIFTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we  
8 urge the United State Congress to enact a 2-year suspension on  
9 that portion of the federal income tax code that requires  
10 almost all participants in 401(k) programs to commence required  
11 minimum distributions during the year after the year that the  
12 participant reaches the age of 70 1/2 or suffer a federal  
13 income tax penalty; and be it further

14           RESOLVED, That a copy of this Resolution be presented to  
15 each member of the Illinois delegation to the U.S. House of  
16 Representatives and the U.S. Senate.