The Effects of Tax Reform and Deficit Reduction on Employee Benefits

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Background: Congress returns this month for a lame duck session against the backdrop of the impending financial crisis, the fiscal cliff. With the 2012 budget deficit totaling $1.2 trillion dollars and the U.S. national debt hovering around $16 trillion dollars, tax reform and efforts to lower the deficit are a priority for Congress and the White House. Because of their tax-deferred status, employee benefits such as retirement plans, educational assistance and health care benefits may come under scrutiny.

Issue: Employer-provided retirement plans are a key component of our nation’s retirement system. Together with Social Security and individual savings, employer-provided retirement plans produce significant retirement benefits for America’s working families. There are approximately 670,000 private-sector defined contribution plans covering 67 million participants and over 48,000 private-sector defined benefit plans covering 19 million participants.

Outlook: Employee benefits are the largest annual loss in revenue to the federal treasury due to their tax-deferred status. As a result, it is anticipated that public policy efforts to reform the tax code and reduce the federal deficit will involve an examination of employer-sponsored fringe benefits, including retirement plans, health care benefits and educational assistance programs. Currently, tax-qualified retirement plans hold $16.6 trillion in assets, of which about $13 trillion is attributable to employer-provided plans. This pool of capital helps to finance productivity, enhance investments and encourage business expansion. Changes to the tax treatment of retirement plans could have a negative effect on capital markets, which legislators must consider.

SHRM Position: SHRM believes that a comprehensive and flexible benefits package is an essential tool in recruiting and retaining talented employees. Every American employee should be given the opportunity to save for retirement. The government should facilitate and encourage voluntary employer-sponsored plans, as well as individual savings.

Specifically, SHRM supports the House Concurrent Resolution 101 introduced by Rep. Richard Neal (D-MA) and Rep. Jim Gerlach (R-PA) and the Senate Concurrent Resolution to be introduced by Senators Richard Blumenthal (D-CT) and Johnny Isakson (R-GA). The resolutions are identical and declare the importance of employer-sponsored retirement plans. These resolutions are important because they express the desire of members of Congress to preserve the current tax treatment of retirement plans.
Talking Points:

◊ SHRM believes tax incentives should be used to expand retirement savings. Provisions that encourage savings, such as increased contribution limits and catch-up contributions for older workers, are beneficial. Tax incentives should be provided to employers that sponsor plans and to individual savings accounts on an equitable basis.

◊ Together with Social Security and individual savings, employer-provided retirement plans produce significant retirement benefits for America’s working families.

◊ There are approximately 670,000 private-sector defined contribution plans covering 67 million participants and over 48,000 private-sector defined benefit plans covering 19 million participants.

◊ According to the 2012 SHRM Employee Benefits Survey, 92 percent of respondents offer a defined contribution plan for their employees and 68 percent offer some match of their employees’ contributions.

◊ SHRM supports the House Concurrent Resolution 101 introduced by Rep. Richard Neal (D-MA) and Rep. Jim Gerlach (R-PA) and the Senate Resolution introduced by Senators Richard Blumenthal (D-CT) and Johnny Isakson (R-GA).

◊ Ask your HOUSE REPRESENTATIVE to “do no harm” to the current tax treatment of retirement plans. Inform them of the House Concurrent Resolution 101, which they may still co-sponsor. If they are interested, they may contact Kara Getz in Rep. Richard Neal’s office at kara.getz@mail.house.gov or 202-225-0547.

◊ Ask your SENATOR to co-sponsor the Senate Concurrent Resolution. If the Senator is interested in co-sponsoring the measure, please have them contact Sam Simon, legislative assistant for Sen. Richard Blumenthal, Sam_Simon@blumenthal.senate.gov or (202) 224-2823 or Tommy Nguyen, legislative assistant for Sen. Isakson, Tommy_Nguyen@help.senate.gov or (202) 224-3643

◊ TELL YOUR STORY: Describe how important providing a retirement account is to your employees. Tell your members of Congress how this benefit helps you to retain and attract talented employees!