



**American Retirement Association**  
**Statement for the Record**  
**House Ways & Means Tax Policy Subcommittee Hearing on**  
**Proposals Relating to Fundamental Reform of the**  
**Income Tax System**  
**March 22, 2016**

The American Retirement Association (“ARA”) thanks Chairman Boustany, Ranking Member Neal, and the members of House Ways & Means Subcommittee on Tax Policy for the opportunity to submit a statement for the record on the importance of preserving the current tax incentives for employer-sponsored retirement plans as the Subcommittee examines proposals that would fundamentally reform our income tax system.

The ARA is an organization of more than 20,000 members nationwide who provide consulting and administrative services to American workers and sponsors of qualified retirement plans. ARA members are a diverse group of retirement plan professionals of all disciplines, including: financial advisers, consultants, administrators, actuaries, accountants, and attorneys. The ARA is the coordinating entity for its four underlying affiliate organizations, the American Society of Pension Professionals and Actuaries (“ASPPA”), the National Association of Plan Advisors (“NAPA”), the National Tax-deferred Savings Association (“NTSA”) and the ASPPA College of Pension Actuaries (“ACOPA”). ARA members are diverse but united in a common dedication to America’s private retirement system.

The tax incentives for employer-sponsored plans in place today do an efficient and effective job in allowing Americans across the income spectrum to build a secure retirement. In fact, a workplace retirement plan is the single most important factor that determines whether or not workers accumulate significant savings for retirement. Data from the Employee Benefits Research Institute shows that workers earning between \$30,000 and \$50,000 per year are *fifteen times* more likely to save at work than to go out and set up an IRA to save on their own. Because moderate income earners almost exclusively save at work through plans like the 401(k) – the most widely known section of the tax code – it is not surprising that Internal Revenue Service data shows that nearly 80% of participants in 401(k) and other profit sharing plans make less than \$100,000 per year, and 43% of participants in these plans make less than \$50,000 per year.

Simply stated, saving at work, works. That is why the American Retirement Association would caution that repealing all income taxes in favor of a national consumption tax would discourage businesses, especially small businesses, from maintaining a workplace retirement plan and seriously undermine the private employer-sponsored retirement system.

The current income tax incentives are a primary reason small business owners consider offering a retirement plan. In addition, qualified retirement plans are subject to coverage and non-discrimination rules that require employer contributions on behalf of employees if the owner wants to maximize his or her contributions. These employer contributions provide significant retirement benefits to rank and file employees. For a small business owner, the tax savings on his or her contributions to a retirement plan generates part of the cash needed to pay for the required contributions for other employees.

If there is no income tax, the small business owner will have no tax incentive to establish or maintain a workplace retirement plan. There will be less opportunity to save at work, and lower employer contributions made on behalf of workers who still have access to workplace savings. That, in turn, will undermine the retirement security of the tens of millions of American workers who currently rely on these plans for a secure retirement.

The current private employer-sponsored retirement system works well for those that have access to these plans in the workplace. Expanding the availability of workplace savings even further is key to improving the ability for Americans to save for their retirement. The ARA would be pleased to work with this Subcommittee to further develop proposals to expand small business participation in our current system and we thank you for the opportunity to submit these comments.

