

PRESS RELEASE



4245 North Fairfax Drive, Suite 750
Arlington, VA 22203
P 703.516.9300 F 703.516.9308
www.asppa.org

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CONTACT

Teresa T. Bloom
Chief of Government Affairs
703.516.9300 or tbloom@asppa.org

ASPPA WORKS WITH CONGRESS AND THE IRS ON KATRINA-RELATED ASSISTANCE

September 12, 2005 (Arlington, Va.) – With help from ASPPA, both the Internal Revenue Service (IRS) and the Senate Finance Committee are taking steps to make it easier for victims of Hurricane Katrina to withdraw desperately needed cash from their retirement accounts. ASPPA worked closely with the IRS and Senate Finance Chairman Sen. Charles Grassley (R-IA) and ranking member Sen. Max Baucus (D-MT) as they developed these relief packages.

The Senate Finance legislative package, which is expected to be introduced tomorrow, could be taken up as early as this week in the Senate and the House as part of a larger Katrina relief aid bill. The President is expected to sign the bill when it reaches his desk.

The new IRS guidance, also expected to be issued tomorrow, allows workers to immediately take hardship withdrawal distributions or loans from their 401(k)-type plans, even where currently not allowable under the plan. The IRS would also expedite loan requests by reducing the paperwork normally required to borrow from a 401(k)-type plan.

The Senate Finance Committee's proposal would provide crucial tax relief for plan participants taking Katrina-related hardship withdrawal distributions. The bill would waive the 10 percent penalty for early withdrawals, as well as allow a participant to pay tax on the distribution over a 3-year period. Such hardship withdrawals could later be contributed back to the plan within a 3-year period.

The legislative package would suspend any payments due on existing loans for up to a year, and allow participants to borrow (up to a maximum of \$100,000) of their account balance. The package would also extend all plan filing and funding deadlines for a minimum of six months, with a provision for further extensions.

Brian Graff, ASPPA's Executive Director/CEO stated, "On behalf of our members and all other affected by this tragedy, we greatly appreciate the quick action taken by Congress and the Administration to provide this much-needed relief for the qualified retirement plan rules."

ASPPA is a national organization of over 5,500 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members include consultants, administrators, actuaries, accountants, and attorneys. ASPPA's membership is dedicated to preserving and enhancing the private retirement plan system in the United States.

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