

Committee on Ways and Means

The Pension Protection Act of 2006

Detailed Summary of Tax, Trade and Other Provisions

TAX PROVISIONS

The bill includes a number of significant tax incentives to enhance retirement savings for millions of Americans, including:

1. Permanent Retirement and Savings Incentives

The *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA) substantially increased pension and individual retirement account (IRA) contribution limits through 2010 as well as making other improvements in pensions and retirement savings through enhanced vesting, portability and reduced regulatory burdens. The provision makes these favorable changes permanent. The provision also indexes the income limits for traditional, spousal and Roth IRAs to prevent these benefits from being eroded by inflation.

2. Saver's Credit Made Permanent

The provision makes permanent the Saver's Credit of up to \$2,000. Without this extension, the credit will not be available after 2006. The provision also indexes the Saver's Credit income limits to prevent this benefit from being eroded by inflation.

3. DROP Plans for Public Safety Employees

The provision waives the 10 percent early withdrawal penalty for distributions to public safety employees over age 50 (including police and firemen) who may retire early.

4. Direct Deposit of Tax Refunds into IRAs

The provision requires the IRS to establish procedures for depositing tax refunds directly into an IRA.

5. Automatic Enrollment

The provision creates a safe harbor to encourage employers to offer automatic enrollment in employer-sponsored defined contribution pension plans, which will encourage employee participation.

6. Treatment of IRA Contributions for Guard and Reservists Called to Active Duty

The provision provides that distributions from an IRA or pension plan taken by members of the National Guard and Reserves called to active duty through 2007 are not subject to early withdrawal penalties. Withdrawn amounts may be repaid to the IRA or pension plan within two years of the distribution without regard to the annual contribution limit.

7. Long Term Care/Annuity Products

The provision authorizes a new insurance product which allows annuities to carry a long-term care rider, so that annuity earnings can also be used to provide coverage against long-term care needs.

8. Public Safety Officer Early Withdrawals for Health and Long Term Care Insurance

Public safety officers who retire or become disabled may make tax-free distributions of up to \$3,000 annually from their governmental pension plans if the distribution is used to purchase health or long-term care insurance.

9. Corporate-Owned Life Insurance (COLI)

The provision codifies “best practices” standards for corporate-owned life insurance.

10. Clarification of Treatment of Tribal Pension Plans

The provision clarifies the law regarding tribal pension plans. The clarification provides that employees engaged in essential government functions (but not commercial operations such as casinos, hotels or marinas) will be treated as government employees under the Code and under ERISA.

11. Black Lung Benefit Trust Funds

The provision eliminates the aggregate limit on the use excess funds from black lung benefit trusts to be used to fund retiree health for coal miners.

12. Transfers of Excess Defined Benefit Fund Assets for Retiree Health

The provision allows assets in excess of 120 percent of current liability to be used to fund retiree health benefits. Further, additional contributions to the defined benefit plan would be required when asset values fall below 120 percent of current liability. The provision applies to both single employer plans and collectively bargained plans.

TRADE PROVISIONS

The bill includes a number of trade provisions that increase trade and economic opportunities for American businesses, workers and consumers.

1. Tariff Suspensions

a. Television Tariff Suspension

The provision provides for the suspension of duties on liquid crystal device (LCD) panel assemblies for use in LCD direct view televisions through 2009.

b. Extension of Ceiling Fan Tariff Suspension

The provision provides for the continued suspension of duties on ceiling fans through 2009.

c. Extension of Tariff Suspension on Certain Nuclear Facility Components

The provision provides for the continued suspension of duties on certain nuclear steam generators, reactor vessel heads and pressurizers through 2010.

2. Suspension of New Shipper Bonding Privilege

The provision temporarily suspends the ability of importers of subject merchandise from new shippers to choose to post a bond or security in lieu of a cash deposit of estimated duties. The provision also requires the Secretary to report on the effects of this change in law and on problems related to collection of duties.

3. Wool Trust Fund and Wool Fabric Duty Suspension

Present law provides for temporary duty reductions or duty suspensions of certain fabrics made from worsted wool and for payments made under the wool trust fund. The fund consists of three special refund pools for importers of wool fabric, wool yarn, and wool fiber and top, and identifies all persons eligible for the refunds including U.S. manufacturers of these products. The provision extends the current program for an additional two years through 2009.

4. Miscellaneous Trade Provisions

The bill includes provisions taken from House-passed H.R. 4944, the *Miscellaneous Trade and Technical Corrections Act of 2006*, for which there are Senate companions introduced, which suspend or reduce the tariff rate on certain selected products. The provisions also correct government errors or authorize reliquidations of duties related to certain products.

5. Vessel Repair Duties

This provision clarifies that the 50 percent ad valorem duty on vessel repairs excludes the cost of equipment, repair parts, and materials that are installed on a vessel documented under the laws of the United States and engaged in the foreign or coasting trade, if the installation is done by members of the regular crew of such vessel while the vessel is on the high seas, in foreign waters, or in a foreign port, and does not involve foreign shipyard repairs by foreign labor. The provision is effective on the date of enactment, and it applies to vessel equipment, repair parts, and materials installed on or after April 25, 2001.

6. CAFTA-DR Provisions Regarding Agreement Implementation

The provision extends narrow proclamation authority to the President to implement certain changes to certain apparel rules of origin with respect to countries that have entered into letters of understanding concerning pocketing material with the United States and, subject to certain limitations, with respect to countries which have not entered into such letters of understanding with the United States. In addition, the provision provides a technical correction with respect to application of a retroactive effective date for certain liquidations and reliquidations of co-produced products. The provision also creates a reporting requirement for the U.S. Trade Representative's Office on the status of negotiations related to other CAFTA-DR textile changes concerning socks and technical corrections.

OTHER PROVISIONS

1. Technical Corrections Relating to Mine Safety

The provision makes technical corrections to the *Mine Improvement and New Emergency Response Act of 2006*.

2. Going-To-The-Sun Road

The provision makes a technical correction to the *SAFETEA-LU* with respect to the treatment of the Going-To-The-Sun Road.

3. Certain Hydroelectric Facilities in Alaska

The provision provides an exception to certain tax-exempt bond rules for certain hydroelectric facilities located in Alaska.

4. Permanent Extension and Grant of Regulatory Authority With Respect To Section 529 Qualified Tuition Programs

The provision permanently extends the rules for Section 529 qualified tuition programs. The provision also provides the Secretary with regulatory authority to prevent tax abuse.