107TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
107–686

FEDERAL THRIFT SAVINGS PLAN CATCH-UP CONTRIBUTIONS

SEPTEMBER 25, 2002.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BURTON of Indiana, from the Committee on Government Reform, submitted the following

R E P O R T

[To accompany H.R. 3340]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Reform, to whom was referred the bill (H.R. 3340) to amend title 5, United States Code, to allow certain catch-up contributions to the Thrift Savings Plan to be made by participants age 50 or over, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

CONTENTS

I. SHORT SUMMARY OF LEGISLATION

H.R. 3340 amends title 5, United States Code, to allow certain catch-up contributions to the Thrift Savings Plan (TSP) to be made by participants age 50 or over.

99–006

II. Background and Need for the Legislation

In the fall of 2001, President George W. Bush signed into law the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16). Among other things, that Act permits employer-sponsored thrift plans, such as private sector 401(k) plans and the TSP to allow employees age 50 and older to contribute additional money toward their retirement.

For TSP contributions, the Tax Relief Act allows those eligible to contribute an extra $1000 in 2002 and increases the amount by $1000 each year from 2003 through 2005. After 2005, the maximum contribution will be increased each year in accordance with cost of living changes.

Employees are not automatically entitled to make catch-up contributions. Private employers must amend their plan documents to permit catch-up contributions. Likewise, Congress must change laws limiting contributions to the TSP before eligible federal employees can take advantage of the catch-up provisions of the Tax Relief Act. H.R. 3340 makes the appropriate changes to title 5 of the United States Code to allow federal employees to make these catch-up contributions.

The catch-up contributions will allow workers to make-up for years when they were not employed, did not contribute to their plan, were otherwise not able to save, or simply did not realize the importance of preparing for their retirement years. The opportunity to make these extra contributions will be particularly beneficial to women who have returned to the workforce after taking time to raise their families. Also, many federal employees will find this very advantageous because the TSP was not created by law until 1986.

III. Legislative Hearings and Committee Actions

The Committee held no legislative hearings on H.R. 3340. Representative Constance A. Morella introduced this measure on November 11, 2001. H.R. 3340 was referred to the Committee on Government Reform, Subcommittee on Civil Service, Census, and Agency Organization. The Committee on Government Reform marked-up H.R. 3340 on March 14, 2002 and approved the bill by voice vote with no amendments. The Committee on Government Reform favorably reported H.R. 3340 to the House of Representatives.

IV. Committee Hearings and Written Testimony

There were no hearings on the subcommittee or full committee level.

V. Explanation of the Bill as Reported: Section-by-Section

Section 1. Catch-Up Contributions. This section allows federal employees age 50 or older and participating in the TSP to make additional catch-up contributions to their TSP accounts. These catch-up contributions are in addition to the maximum contributions currently allowed.

Subsection (a) amends section 8351(b) of title 5 and allows eligible federal employees enrolled in the Civil Service Retirement System to make catch-up contributions into Thrift Savings Plans in addition to the maximums currently allowed. This subsection allows a participant to "make such additional contributions to the Thrift Savings Fund as are permitted by such section 414(v)" of the Internal Revenue Code.

Subsection (b)(1) amends subsection (a) of section 8432 of title 5 and allows eligible federal employees enrolled in the Federal Employees' Retirement System to make catch-up contributions into Thrift Savings Plans in addition to the maximums currently allowed. This subsection allows these employees to "make such additional contributions to the Thrift Savings Fund as are permitted by such section 414(v)" of the Internal Revenue Code.

Subsection (b)(2) amends section 8440f of title 5 to allow those federal employees listed in sections 8440a, 8440b, 8440c, 8440d, and 8440e of title 5 and enrolled in the Federal Employees' Retirement System to make catch-up contributions into Thrift Savings Plans permitted under Internal Revenue Code section 414(v). The employees affected under this section are federal judges and justices, bankruptcy judges and magistrates, claims court judges, judges of the U.S. Court of Appeals for Veterans Claims, and members of the uniformed services.

Subsection (c) provides that the amendments shall take effect on the earliest practicable date as determined by the Executive Director of the Federal Retirement Thrift Investment Management System.

VI. Compliance With Rule XIII

Pursuant to rule XIII, clause 3(c)(1) of the Rules of the House of Representatives, under the authority of rule X, clause 2(b)(1) and clause 3(f), the results and findings from Committee oversight activities are incorporated in the bill and this report.

VII. Budget Analysis and Projections

The budget analysis and projections required by section 308(a) of the Congressional Budget Act of 1974 are contained in the estimate of the Congress Budget Office.

The Committee does not disagree with the estimate from the Congressional Budget Office (CBO), but it would note that lost revenue attributed to H.R. 3340 has already been accounted for when the CBO/Joint Committee on Taxation scored the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16).

VIII. Cost Estimate of the Congressional Budget Office

U.S. Congress,
Congressional Budget Office,
Washington, DC, April 5, 2002.

Hon. Daniel Burton,
Chairman, Committee on Government Reform,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3340, a bill to amend Title 5, United States Code, to allow certain catchup contributions to the Thrift Savings Plan to be made by participants age 50 or over.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Ed Harris.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

H.R. 3340—A bill to amend title 5, United States Code, to allow certain catch-up contributions to the Thrift Savings Plan to be made by participants age 50 or over

Summary: H.R. 3340 would amend the Federal Employees Retirement System Act of 1986. This amendment would allow the Federal Thrift Savings Plan (TSP) to permit federal employees at least 50 years of age to make additional contributions to the TSP. CBO estimates that enacting H.R. 3340 would reduce revenues by $280 million over the 2003–2007 period, and by $408 million over the 2003–2012 period. Since H.R. 3340 would affect receipts, pay-as-you-go procedures would apply.

H.R. 3340 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Because the bill would allow certain federal employees to increase the amount of taxable income they defer, state and local governments could face reduced income tax receipts. CBO estimates such losses would not exceed $20 million in any of the first five years after enactment of the bill.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3340 is shown in the following table.

	By fiscal year in millions of dollars—					
	2002	2003	2004	2005	2006	2007
CHANGES IN REVENUES						
Estimated revenues	0	−59	−77	−71	−42	−31

Basis of estimate: Current law limits the amounts that federal employees can contribute to the TSP. Contributions to the TSP are tax-deferred, and thus no federal income tax is paid on the contribution, or the association investment earnings, until the money is withdrawn from the TSP. The Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107–16) expanded the provisions of the tax code pertaining to tax deferred accounts to permit "catch-up" contributions. H.R. 3340 would change federal retirement provisions to take advantage of the new tax law changes. Under H.R. 3340, federal employees at least 50 years of age could make additional catch-up contributions to the TSP. The allowable amount of catch-up contributions would be $2,000 in 2003, $3,000 in 2004, $4,000 in 2005, $5,000 in 2006, and indexed to inflation thereafter. Under the bill, employees would contribute more money to their TSP accounts than under prior law, and thus taxes would be deferred on more of their income.

Based on data from the Office of Personnel Management and the Federal Retirement Thrift Investment Board, CBO estimates approximately 200,000 federal employees would make catch-up contributions in 2003. Under current law, the amount of allowable contributions to the TSP is scheduled to rise substantially between 2002 and 2006, so CBO estimates that the number of employees making catch-up contributions would drop to fewer than 50,000 by 2006. CBO estimates the federal government would forgo about $408 million in federal income taxes over the 2003–2012 period as a result of this provision.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through 2006 are counted.

	By fiscal year, in millions of dollars—										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in receipts	0	−59	−77	−71	−42	−31	−32	−33	−33	−19	−11
Changes in outlays	Not applicable										

Intergovernmental and private-sector impact: H.R. 3340 contains no intergovernmental or new private-sector mandates as defined in UMRA. Because the bill would allow certain federal employees to increase the amount of taxable income they defer, state and local governments could face reduced income tax receipts, CBO estimates such losses would not exceed $20 million in any of the first five years after enactment of the bill.

Estimate prepared by: Federal revenues: Ed Harris; impact on state, local, and tribal governments: Susan Sieg Tompkins; impact on the private sector: Paige Piper/Bach.

Estimate approved by: G. Thomas Woodward, Assistant Director for Tax Analysis.

IX. Performance Goals and Objectives

H.R. 3340 does not authorize funding. Therefore, clause 3(c) of rule 13 of the Rules of the House of Representatives is inapplicable.

X. Specific Constitutional Authority for This Legislation

Clauses 1 and 18 of Article I, Sec. 8 of the Constitution grant Congress the power to enact this law.

XI. Committee Recommendation

On March 14, 2002, a quorum being present, the Committee ordered the bill, as amended, favorably reported.

COMMITTEE ON GOVERNMENT REFORM—107TH CONGRESS

Date: March 14, 2002.
Final Passage of H.R. 3340.
Offered by: Hon. Dan Burton (IN).
Adopted by voice vote.

XII. CONGRESSIONAL ACCOUNTABILITY ACT; PUBLIC LAW 104–1; SECTION 102(B)(3)

H.R. 3340 applies to eligible employees in the legislative branch of the federal government who participate in the Civil Service Retirement System and the Federal Employees' Retirement System.

XIII. UNFUNDED MANDATES REFORM ACT; PUBLIC LAW 104–4; SECTION 423

H.R. 3340 does not impose any federal mandates on state, local, or tribal governments, or the private sector, and it does not preempt any state or local law.

XIV. FEDERAL ADVISORY COMMITTEE ACT (5 U.S.C. APP.) SECTION 5(b)

The Committee finds that H.R. 3340 does not establish or authorize establishment of an advisory committee within the definition of 5 U.S.C. App., Section 5(b).

XV. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

TITLE 5, UNITED STATES CODE

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PART III—EMPLOYEES

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Subpart G—Insurance and Annuities

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CHAPTER 83—RETIREMENT

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SUBCHAPTER III—CIVIL SERVICE RETIREMENT

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§ 8351. Participation in the Thrift Savings Plan

(a) * * *
(b)(1) * * *
(2)(A) * * *

* * * * * * *

(C) Notwithstanding any limitation under this paragraph, an eligible participant (as defined by section 414(v) of the Internal Revenue Code of 1986) may make such additional contributions to the

Thrift Savings Fund as are permitted by such section 414(v) and regulations of the Executive Director consistent therewith.

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CHAPTER 84—FEDERAL EMPLOYEES' RETIREMENT SYSTEM

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SUBCHAPTER III—THRIFT SAVINGS PLAN

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§ 8432. Contributions

(a)(1) * * *

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(3) Notwithstanding any limitation under this subsection, an eligible participant (as defined by section 414(v) of the Internal Revenue Code of 1986) may make such additional contributions to the Thrift Savings Fund as are permitted by such section 414(v) and regulations of the Executive Director consistent therewith.

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§ 8440f. Maximum percentage allowable for certain participants

(a) The maximum percentage allowable under this section shall be determined in accordance with the following table:

In the case of a pay period beginning in fiscal year:	The maximum percentage allowable is:
2001	6
2002	7
2003	8
2004	9
2005	10
2006 or thereafter	100.

* * * * * * *

(b) Notwithstanding any limitation under this section, an eligible participant (as defined by section 414(v) of the Internal Revenue Code of 1986) may make such additional contributions to the Thrift Savings Fund as are permitted by such section 414(v) and regulations of the Executive Director consistent therewith.

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