Pension Bill Press Conference (2)

Max S. Baucus

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Pension Press Conference

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07/21/1998
I am very pleased to be joining my colleagues Senators Graham and Grassley in announcing the introduction of the Pension Coverage and Portability Act today.

We have worked together for the past 6 months drafting this bill. And while I don't think anyone standing here pretends to support 100% of every provision in it, we think it represents a very good, bi-partisan compromise bill that would improve pension coverage for all Americans.

Our parents and grandparents understood the importance of saving. They lived through the Great Depression. They understood all too well the need to put money aside for a rainy day.

Even back in Ben Franklin's time, his "a penny saved is a penny earned" reflected the views of his fellow countrymen.

But somehow during the 2 centuries that have passed since that time, we as a nation have lost our imperative to save. Personal savings rates have dropped to 3.8 percent of our Gross Domestic Product, the lowest level in 58 years.
The Pension Coverage and Portability Act reflects our recommendations on how to best reverse this trend. How to help turn a nation of spenders into a nation of savers.

All of us in our pension working group took responsibility for drafting portions of this bill — my particular contribution to this effort is the first title, to enhance pension coverage for small businesses.

Eighty percent of all those employed in small businesses have no pension coverage — totaling 38 million American workers. In a nation blessed with such prosperity, this is simply unacceptable.

My state of Montana is a small business state, so I know first-hand the hardship faced by small business owners and their employees by this lack of coverage. In Montana, more than 95 percent of our businesses are small businesses. And almost 9 out of 10 offer no pension plans.

The bill includes a broad range of provisions targeted toward small businesses designed to reduce complexity. But the provisions I am most enthusiastic about are the ones designed to address the most important problem cited by small business owners — cost.

The bill includes a proposal by President Clinton to
provide a tax credit to help defray the administrative costs of small businesses in setting up pension plans.

In addition however, we have included a second tax credit which I proposed, for this nation’s smallest employers. This credit will help defray the cost of the employer’s contributions to a pension plan for the benefit of his or her employees.

The proposal allows businesses to take up to 50% of the contributions they make on behalf of their employees as a credit against their income tax. For those businesses too small to be making a profit, the credit is refundable against the employer’s portion of the payroll tax.

Finally, we eliminate some costly fees which make it very expensive for small businesses to start defined benefit plans.

I believe these provisions, along with the others in this bill, will help expand pension coverage among our nation’s small businesses, enhancing the retirement security of millions of hard-working Americans.