

CONCLUSION

The unfunded mandates bill will cause Congress to think twice before shifting costs to local governments and businesses. It will shift power from the federal government to the states, and provide businesses and local officials a forum to discuss the cost-effectiveness of rules with federal regulators before rules take effect. These costs will now be considered as an integral part of the legislative process. Members who approve legislation without funding will be required to explain their actions to those faced with the costs of compliance.

Government that works better and costs less must consider all costs, including those incurred by the private sector, and encourage cooperation among all levels of government. We accomplish little if we balance the federal budget with unfunded mandates on the backs of others. Enactment of unfunded mandate legislation will be an important step in improving the performance of government.

 INTRODUCTION OF SUPER IRA LEGISLATION

HON. RICHARD E. NEAL

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 25, 1995

Mr. NEAL. Mr. Speaker, today Mr. Thomas and I are introducing the Savings and Investment Act of 1995, commonly referred to as the Super IRA bill. Since I have been a Member of Congress, I have been very concerned about our low national savings rate. I share the belief of chairman Alan Greenspan of the Federal Reserve that our low national savings rate is our number one economic problem.

The savings rate has declined significantly since the 1950s. In 1993, U.S. net national saving was only 2.7 percent of net national product, compared to 12.3 percent in 1950. In a recent study, Professors R. Glenn Hubbard

and Jonathan Skinner concluded raising the Individual Retirement Account (IRA) contribution limit would increase net national savings by \$4 for every dollar lost in government tax revenue. Professors Hubbard and Skinner believe the decline in the national savings rate is a cause for serious concern because of the links between saving, capital formation, productivity, and American living standards.

I believe the purpose of this legislation is to increase our national savings rate. IRAs are a proven tool to boost our savings. Most contributions to IRAs are made by middle income families. All Americans should be able to contribute to IRAs. We need to provide individuals with an incentive to save for their retirement. The U.S. personal saving rate dropped from 5.2 percent of GDP in 1960-1980 to 3.4 percent in 1991-1994.

Under this legislation, all Americans would be eligible for fully deductible IRAs. Current law only allows those taxpayers who are not covered by any other pension arrangement, and whose income does not exceed \$40,000 (\$25,000 singles) to be eligible for a fully deductible IRA. These limits would be gradually lifted over time. The \$2,000 contribution limit will be indexed for inflation in \$500 increments in the year in which the indexed amount exceeds the next \$500 increase.

The legislation creates a new kind of IRA option. Taxpayers will be offered a new choice of IRA. Under this new type of IRA, contributions will not be deductible, but if the assets remain in the account for at least 5 years, all income will be tax free when it is withdrawn. A 10 percent penalty will apply to early withdrawals, unless one of the five exceptions is met.

The legislation includes a provision which I believe is very important. The bill allows spouses who work at home to contribute up to \$2,000 to their own IRA to the extent of their own income. In addition, the legislation waives the 10 percent penalty on early withdrawals if

the funds are used to buy a first home, to pay educational expenses, to cover catastrophic health care costs, during long periods of unemployment, or to purchase of long-term care insurance. Similar penalty withdrawal rules will apply to 401(k) and 403(b) employer-sponsored plans.

We have to encourage individuals to save for their retirement. I believe this legislation is a step in the right direction. I urge you to support this legislation.

 SOUTH BRONX MENTAL HEALTH COUNCIL, INC. PATIENT RECOGNITION AND EMPOWERMENT DAY

HON. JOSÉ E. SERRANO

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 25, 1995

Mr. SERRANO. Mr. Speaker, I rise today to pay tribute to the South Bronx Mental Health Council, Inc., which this Friday will celebrate its fourth annual "Patient Recognition and Empowerment Day."

The South Bronx Mental Health Council is a community based organization which provides treatment and mental health services to the local population and to area schools and senior centers.

While it is important, and appropriate, to recognize the care givers who provide these services, it is even more important that those individuals who have made special efforts to overcome their challenges also receive our attention and support.

Mr. Speaker, I ask my colleagues to join me in saluting our friends at the South Bronx Mental Health Council, who on Friday, January 27 will celebrate the fourth annual Patient Recognition and Empowerment Day.