

# United States Senate

WASHINGTON, DC 20510

September 14, 2017

The Honorable Steven T. Mnuchin  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Mr. Gary D. Cohn  
Chief Economic Advisor  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Senator Mitch McConnell  
Senate Majority Leader  
317 Russell Senate Office Building  
Washington, DC 20510

Representative Paul D. Ryan  
Speaker of the House  
1233 Longworth HOB  
Washington, DC 20515

Senator Orrin Hatch  
Chairman  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Representative Kevin Brady  
Chairman  
Committee on Ways and Means  
1102 Longworth HOB  
Washington, DC 20515

Dear Secretary Mnuchin, Mr. Cohn, Leader McConnell, Speaker Ryan, Chairman Hatch and Chairman Brady:

As you consider options for building a fair and progressive tax code, while maintaining fiscal responsibility, we urge you to reject any proposal that would reduce or eliminate incentives for working families to save for retirement. Millions of Americans rely on 401(k)s, IRAs, and other plans to save for their retirement and their family's future. Putting those savings vehicles – and the financial security of seniors – at risk is antithetical to the spirit of tax reform. Tax cuts for corporations and the wealthiest Americans should not be paid for by increasing taxes on middle class families saving for retirement.

For many hardworking Americans, the tax incentive for retirement savings is a critically-important tool for building long-term financial security. Four out of five households say the incentives and favorable tax treatment of their retirement accounts encourage them to save. At a time when working families are already struggling to get ahead, reducing or taking away tax-deferred retirement savings options could have significant long-term consequences.

We are particularly concerned about rumored proposals to eliminate the traditional, tax-deferred treatment of 401(k) and IRA contributions and mandate the use of after-tax, Roth accounts. Roth accounts can be a better tool under certain circumstances for retirement saving. However, this is not always the case for all families. The current practice of allowing families the freedom to choose the type of retirement tool that is most beneficial for them based on their unique circumstances makes sense given this dynamic. Tax reform should preserve this freedom and not end it.

Families today are already not saving enough for retirement, and we are concerned that mandating Roth savings will diminish their ability to save even further. Those with limited

discretionary income will need to reduce their current level of saving to afford the immediate taxes due on their savings, or they will need to reduce other necessary spending, such as on education, child care and housing costs. To the extent that these affected savers are small business owners, they may decide it is not worth the annual cost and time to establish and maintain a retirement plan at all, which will have the cascading effect of reducing workplace saving options and saving rates for their employees.

Importantly, both the tax-cut and the revenue generated by mandating Roth accounts is a mirage and will not deliver an immediate income boost for many in the middle class. Even if you assume that all of the benefits of tax reform will accrue to the middle-class, the “rothification” proposal makes those tax cuts a shell game – reducing current take-home pay with one hand for those that need to maintain their current level of savings while cutting their tax rates with the other. At worst, it is theft, reducing the take home pay for working families to finance tax cuts for the wealthy.

We are also concerned that from a fiscal perspective mandating Roth savings is a sham. As you know, retirement plan contributions are tax deferred, not tax exempt. This proposal is a budget gimmick that lets Congress raise revenue by pushing income recognition from outside the ten-year budget window to inside the ten-year budget window. This is not revenue on which tax cuts should be based. Using this revenue to pay for tax cuts will require future taxes to make up for revenue lost outside the budget window, or will require painful budget cuts to critical programs, such as in Medicaid, assistance for higher education, and disaster recovery.

Tax reform should increase working families’ take-home pay, encourage savings, grow jobs and the economy, reward companies that invest in American workers and their communities, and maintain sound fiscal policy. So-called “rothification” of retirement savings fails that test on all counts.

Sincerely,



Sherrod Brown  
United States Senator



Ron Wyden  
United States Senator



Debbie Stabenow  
United States Senator



Benjamin L. Cardin  
United States Senator



Robert P. Casey, Jr.  
United States Senator