

US House leaders say pension bill basically done

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By Susan Cornwell

WASHINGTON (Reuters) - A bill to shore up the private pension system is virtually finished after months of negotiations, but arguments continue over whether to include popular tax breaks, U.S. House Republican leaders said on Thursday.

Sweeping pension legislation could not go to the House floor for a vote until the tax matter was resolved, House Majority Leader John Boehner said after meeting House and Senate negotiators on the issue and the Republican leadership of both chambers.

Asked if the complex pension bill was finally finished, the Ohio Republican said, "Virtually. The tax issue is still the issue. It has not been resolved."

House Speaker Dennis Hastert offered a similar conclusion. "As far as I know the pension part has been done," the Illinois Republican said.

When pressed for specifics, Hastert said negotiators were "tweaking" a provision on retirement investment advice to workers. But he noted that "most of that has been done."

Progress on the bill to overhaul pension funding and other aspects of troubled traditional pension system has been delayed this week when some senators rebelled against leadership plans to remove popular tax breaks for businesses, education and research and pair them with a more contentious Republican plan to cut the estate tax.

The array of tax breaks includes deductions for certain tuition costs, for state and local sales taxes in areas where there is no state income tax, and offering tax credits for companies' research and development costs.

Sen. Max Baucus, a Montana Democrat, was most vocally upset about the change, saying it jeopardized the pension bill. But aides said Iowa Republican Sen. Charles Grassley also did not see the reason for stripping the tax provisions and was considering withholding his signature from the pension bill "as a last resort."

Both Grassley and Baucus are on the House-Senate team drafting the pension bill.

Most of the bill aims to close loopholes that have led to massive underfunding of employer-sponsored pensions that cover 44 million Americans. Another goal is to diminish the risk that the federal agency that insures these pensions will need a taxpayer bailout.

But some provisions deal with 401(k)s, a retirement savings plan increasingly offered by U.S. employers in place of defined benefit pensions, which pay a fixed amount to retirees. This includes the proposal to give more leeway to financial firms that want to advise workers on investments in their 401(k)s and private, tax-deferred Individual Retirement Accounts.

The bill is also expected to include aid to struggling airlines, such as Delta Air Lines Inc. <DALRQ.PK> and Northwest Airlines Corp. <NWACQ.PK>, who are threatening to default on pension plans. Stopping more spectacular pension defaults is a major aim of the bill.

(Additional reporting by Donna Smith)