

Pension Protection Act of 2006

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Summary

On August 3, 2006, Congress passed the **Pension Protection Act of 2006** (H.R. 4). President Bush signed the legislation into law on Thursday, August 17, 2006. Below is a summary of the major provisions.

Tax Provisions

- Makes permanent the provisions from the Economic Growth and Tax Relief Reconciliation Act of 2001 related to individual retirement accounts and pensions
 - Increase in annual contribution limit for IRAs
 - Increase in the contribution limits on 401(k) plans
 - Catch-up contributions for people age 50 and over
 - Tax credit for pension start-up costs
 - Treatment of elective deferrals as after-tax Roth contributions
- Makes permanent the saver's tax credit aimed at lower income taxpayers
- Provides for increased flexibility and favorable tax treatment of annuity and life insurance contracts with a long-term care insurance option
- Provides for direct deposit of tax refunds into IRAs
- Waives the 10 percent early withdrawal penalty for distributions to public safety employees over 50 who may retire early
- Waives the early withdrawal penalties on distributions from an IRA or pension plan taken by members of the National Guard and Reserves called to active duty
- Permanently extends Section 529 qualified tuition programs

Charitable Provisions

- Provides for tax-free distributions from IRAs for charitable purposes
- Provides a basis adjustment to stock of S corporation contributing property
- Extends the charitable deduction for contributions of book inventory
- Extends the charitable deduction for contributions of food inventory

- Changes the tax treatment of certain payments to controlling exempt organizations
- Raises the deduction limit for qualified conservation contributions
- Provides for an excise tax exemption for blood collector organizations
- Provides for recapture of tax benefit for charitable contributions of exempt use property
- Modifies the record keeping requirements for certain charitable contributions
- Modifies the rules for charitable contributions of clothing and household items
- Changes the rules relating to donations of a fractional interest in property

Other Provisions

- Amends the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code to establish new minimum funding standards for single-employer and multi-employer defined benefit pension plans
- Extends interest rate rules for the funding standard account that require the use of a rate based on long-term investment grade corporate bonds rather than 30-year Treasury securities
- Amends the interest rate calculation for lump-sum distributions
- Requires single-employer plans that are fully-funded to pay variable-rate premiums to the Pension Benefit Guaranty Corporation (PBGC)
- Sets forth alternative funding rules for commercial passenger airline defined benefit plans
- Sets forth requirements related to funding notices that must be provided by defined benefit plans
- Allows fiduciary advisers of a plan to give investment advice to participants or beneficiaries if certain requirements are met
- Sets forth rules that govern whether plans fail to meet requirements that prohibit age discrimination in defined benefit pension plans
- Requires defined contribution plans holding publicly traded securities to provide employees with: (1) the opportunity to divest employer securities; and (2) at least three investment options other than employer securities
- Allows employers to automatically enroll employees in defined benefit plans
- Sets forth provisions governing the division of pension benefits upon divorce
- Authorizes the Secretary of the Treasury to establish or change the Employee Plans Compliance Resolution System and any other employee plans correction policies
- Prohibits reduction of unemployment compensation as a result of pension rollovers
- Miscellaneous Trade and Technical Corrections Act of 2006
 - Amends the Harmonized Tariff Schedule of the United States to adjust the duty for certain chemicals, textiles, household and sporting goods, electronics, food, equipment and other items
 - Authorizes the President to adjust the Tariff Schedule as necessary to carry out certain CAFTA amendments

Links

- [Summary of Tax, Trade and Other Provisions](#)
- [Summary of Charitable Provisions](#)
- [Technical Explanation](#)
- [Legislative Text - Part 1](#)
- [Legislative Text - Part 2](#)

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