

The Administration's Savings Proposals Preliminary Analysis

Leonard E. Burman, William G. Gale, Peter Orszag

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

Document date: March 03, 2003
Released online: March 03, 2003

© TAX ANALYSTS. Reprinted with permission.

This report is available in its entirety in the [Portable Document Format \(PDF\)](#).

I. Introduction

In its fiscal year 2004 budget, the Bush administration proposes to create a new set of tax-preferred accounts that would expand opportunities and consolidate rules for tax-advantaged saving. The initial reaction to the proposal was not particularly positive. Less than a week after the budget was released, congressional Republicans dismissed the plan. The White House reportedly reacted by blaming the idea on recently departed Treasury Secretary Paul O'Neill (Vanderhei 2003). Congressional leaders, however, later softened their initial remarks and indicated that some elements of the proposal might be included in legislation aimed at expanding access to pensions (Rojas 2003). Then White House officials were said to abandon the idea (Andress 2003).

Despite its uncertain prospects, the proposal is worth considering in detail because it would dramatically alter the tax treatment of saving, via the creation of Lifetime Saving Accounts (LSAs), individual Retirement Saving Accounts (RSAs), and Employer Retirement Saving Accounts (ERSAs). Some elements of the proposal—in particular, some of the simplifications—might form the basis of a useful pension reform package. Other elements are troubling because they would be regressive, could reduce saving among the most vulnerable populations, and would exacerbate the already bleak long-term budget outlook. In this paper, we provide a preliminary analysis of selected aspects of the proposal, with the following principal conclusions:

This report is available in its entirety in the [Portable Document Format \(PDF\)](#).

Other Publications by the Authors

- [Leonard E. Burman](#)
- [William G. Gale](#)
- [Peter Orszag](#)

Usage and reprints: Most publications may be downloaded free of charge from the web site and may be used and copies made for research, academic, policy or other non-commercial purposes. Proper attribution is required. Posting UI research papers on other websites is permitted subject to prior approval from the Urban Institute—contact publicaffairs@urban.org.

If you are unable to access or print the PDF document please [contact us](#) or call the Publications Office at (202) 261-5687.

Disclaimer: *The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Copyright of the written materials contained within the Urban Institute website is owned or controlled by the Urban Institute.*

