February 27, 2020

State of Connecticut
General Assembly
Committee on Finance, Revenue, and Bonding

RE: Proposed Bill 5060

Thank you for the opportunity to provide public comment. Proposed Bill 5060 will resolve an inequity in the current tax code regarding the taxation of retirement plans.

Under current law, taxpayers below specific income thresholds can receive partially tax-free distributions from some retirement plans including pensions, 401(k), 403(b) and others. The exclusion from tax will increase over the course of several years.

The inequity was created because other types of retirement plans, including IRAs, SIMPLE IRAs, and SEP IRAs are not granted the same preferred tax treatment. These accounts are often used by small businesses to provide retirement plans for their employees, or in the case of IRAs, by taxpayers who don’t have a retirement plan at work. Further, many IRAs have been funded by the rollover of 401(k), 403(b) and other pension plans in the past.

This bill will level the playing field for all taxpayers and eliminate the disparity in current tax law.

Sincerely,

Thomas P. McGuigan