Encouraging Americans to Save Act

A Proposal to Help Build Retirement Savings

The Encouraging Americans to Save Act (EASA) would reform a tax credit into a federal matching contribution to middle and low income working Americans who contribute to a retirement savings account, whether they save at work through an employer-sponsored plan or on their own through an IRA. Significantly, the program would offer matching contributions for the first time to millions of individuals not covered by an employer-sponsored retirement plan, including those who save through an IRA under a state or local government program—such as OregonSaves—that automatically enrolls workers who do not have access to an employer-sponsored retirement plan. The government match would both encourage saving and help middle and low income earners build assets by providing an immediate, meaningful return on their personal contributions.

What's the impact?

EASA would help middle and low income savers, many of whom do not benefit from the current saver's credit because they have no income tax liability. The reformed credit would benefit everyone within the target income group who saves in an eligible account regardless of whether the taxpayer owes income taxes. Because the match would be deposited directly into the taxpayers' account instead of being sent to the individual as a tax refund, the money would be saved rather than spent.

How would it work?

EASA would replace the current saver's credit with a simple, 50% government match on contributions of up to $1000 per year made to 401(k)-type plans and IRAs by individuals with income up to $32,500 and couples with income up to $65,000.

- The amount of the match would phase out over the next $10,000 of income for individuals and $20,000 for couples.
- These income limits and the cap on the eligible contribution amount would be indexed for inflation.
- The match would be claimed on the individual 1040 or 1040 EZ income tax form and deposited directly into a worker's IRA, 401(k), or similar account using the account number provided by the worker. If the individual provides an erroneous account number or none at all, the match would be deposited into a MyRA account.

A MyRA account is a Roth IRA maintained by the U.S. Treasury Department. The MyRA program was established by the Obama administration to allow workers who do not have access to workplace savings plans to save for retirement. Amounts saved in MyRA accounts are invested in Treasury bonds. EASA would reestablish this program.

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Section by Section Summary

Section 1—Short title. The title of the bill is the Encouraging Americans to Save Act (EASA).

Section 2—Matching Payments for Elective Deferrals and IRA Contributions. This section reforms the present law saver's credit by making it a refundable matching contribution that is directly deposited into a middle and low income saver's retirement accounts. A 50% government match is available on the first $1000 of savings per year to an IRA, 401(k) plan, 403(b) tax-deferred annuity, or a section 457(b) governmental plan for individuals with income up to $32,500 ($65,000 for couples).

Section 3—Establishment of MyRA Program. This section would reestablish the Obama Administration's MyRA program. The Treasury Department would be authorized to issue rules coordinating the establishment of MyRA accounts in connection with state and local government laws that enroll workers in retirement savings accounts.

Section 4—Promotion and Guidance. This section requires the Secretary of the Treasury to educate taxpayers on the benefits of the refundable government matching contribution established by EASA, as well as the MyRA program.