

Finally, as is generally the case, tax deductions for pension savings are per se more valuable to higher income people by virtue of their higher marginal tax brackets.

Therefore, despite liberalized tax deductions, self-employed pension plans will undoubtedly remain a vehicle primarily for the retirement savings of only the high-paid professional class. This is a very narrow group and it seems highly inappropriate to devote substantial Federal tax revenues to it, especially at this time.

Moreover, there are much broader issues that should be considered in the pension field as a whole. Instead of taking piecemeal action at this time for a very limited group, the Treasury Department believes that any changes in the present self-employed pension provisions would best be considered in the context of congressional consideration of the overall pension recommendations outlined in the report of the President's Committee on Corporate Pension and Other Private Retirement and Welfare Programs.

(3) *Self-employed not comparable to corporate employees.*—Supporters of the amendment contend that a professional who works for a corporation now has an advantage over the self-employed professional in that, when the professional works for a corporation, the pension plan contributions made for him are entirely excludable from his income, whereas the equivalent pension provision by the self-employed professional is only 50 percent deductible. This is given as a rationale for the removal of this 50-percent limitation. This comparison is not essentially valid. More often than not, the contribution for the corporate employee is not vested and may not become vested unless he remains with the company until retirement. Thus, he may never get the pension or he may get the pension only at the cost of giving up highly attractive opportunities to change employment. On the other hand, when the self-employed individual makes a pension contribution he is investing his own money and has vested rights to it. He can invest it in any way that he wants. He can select the pension plan that he wants. For the employed professional, he can only take the pension plan that is already available whether or not it fits his needs.

In the other words, for the self-employed, a pension plan is in many respects comparable to individual retirement savings or employee contributions to a pension plan, neither of which are tax deductible. The present 50-percent deduction rule treats a self-employed as both an employer and employee with respect to his pension contributions. It is comparable to the ratio in which the employer and employee contribute under the civil service retirement plan and the social security system. When viewed in this context, it is a rational rule. Removal of the 50-percent limitation would be inconsistent with this and cannot be justified on the grounds of equality with corporate employees.