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House passes 401k bill for guard, reserve forces

Democrats complain measure falls short

From Ted Barrett
CNN Washington Bureau

WASHINGTON (CNN) -- The House passed unanimously a bill Wednesday to give financially strapped National Guard troops and reservists serving in Iraq and Afghanistan the ability to make penalty-free early withdrawals from their retirement funds.

Democrats criticized the measure as, in the words of Rep. Tom Lantos of California, "the tiniest of tiny benefits."

"This legislation is a monumental insult," Rep. George Miller, D-California, bellowed on the House floor. "We're telling them we invaded Iraq and now they have to invade their savings."

The bill is designed to ease the financial strain of servicemen and women, many of whom had to leave higher paying jobs when they were called to serve in Iraq and Afghanistan. The bill would allow the service members to tap into their 401k and IRA funds.

"It's something we can do and do quickly to provide some relief," said Rep. Bob Beauprez, R-Colorado, who introduced the bill nearly a year ago.

But Democrats used the opportunity to vent their frustrations about other aspects of the war, including the security situation in Iraq and what they described as a shortage of armor-plated Humvees.

"It's no profile in courage for us to say you are now able to borrow money from your pension fund and have it penalty free, " complained Rep. Charles Rangel, D- New York.

Republican Rep. Clay Shaw of Florida agreed the bill is a small step, but promised the House would do more.

"I'm really disappointed we're getting so much negative debate on this," Shaw said.

Lantos complained that withdrawals would still be taxed as income, and service members would have

to withdrew more from their accounts than they actually need to pay for those taxes.

"They need some additional pay. They need interest free loans," said Miller who said these service members will suffer when they retire if they use those funds now. "It's an outrageous thing that we would do this to these individuals because so many of them are not going to be able to pay this back."

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