



DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

The Honorable Charles Grassley
Ranking Member
Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Senator Grassley:

Thank you for your letter of September 11, 2007, to Secretary Paulson regarding the interpretation of sections 801 and 803 of the Pension Protection Act of 2006 (codified in section 404(a)(7) of the Internal Revenue Code).

You indicated that a technical correction included in S. 1974 and H.R. 3361 clarifies Congressional intent that, when an employer sponsors one or more defined benefit plans and one or more defined contribution plans that cover at least one of the same employees, the combined plan limit is not less than the excess (if any) of the plan's funding target over the value of the plan's assets. You also indicated that if contributions to the defined contribution plan or plans are less than 6 percent of compensation, the defined benefit plan is not subject to the overall deduction limit.

The Treasury Department and the Internal Revenue Service will administer sections 801 and 803 of the Pension Protection Act of 2006 consistent with the language in sections 9(a) and 9(b) of S. 1974 and H.R. 3361, as introduced on August 3, 2007, in anticipation of the enactment of this legislation.

Thank you for providing your input on this important issue.

Sincerely,

Eric Solomon
Assistant Secretary (Tax Policy)