cash-strapped Treasury Department. Now a new report by the Government Accountability ...

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Mega IRAs – the moniker given to retirement saving accounts with over-inflated

restrictions. Best of all, there's no current tax on the earnings until withdrawals are made.

The two basic types of IRAs are the traditional IRA and the Roth IRA, which debuted in the late 1990s. With a traditional IRA, contributions may be wholly or partially tax-deductible, depending on whether the IRA owner (or spouse, if a joint filer) is an active participant in an employer retirement plan and if modified adjusted gross income (MAGI) exceeds a specified annual level. Distributions are generally taxed at ordinary income rates plus a 10 tax penalty may be imposed on pre-age 59 ½ payouts.

Conversely, with a Roth IRA, deductions are never tax-deductible, but qualified distributions (e.g., those made after age 59½) from a Roth in existence at least five years are completely tax-free. In addition, unlike traditional IRAs, lifetime distributions aren't required after age 70½.

The annual limit for any combination of contributions to traditional and Roth IRAs is $5,500 for the 2014 tax year; 6,500 if age 50 or over. These figures remain the same for the 2015 tax year. However, eligibility to make Roth contributions is phased out at higher MAGI levels.

Two other types of IRAs may be available through a small business: the Simplified Employee Pension (SEP) and Savings Incentive Match Plan for Employees (SIMPLE). These plans have higher contribution limits than traditional and Roth IRAs.

Point of contention: Currently, there's no limit on the amount you can accumulate in any type of IRA. The GAO report focused on the money being stashed away in these accounts. Some of the key findings, based on estimates, are:

- For the 2011 tax year, 43 million taxpayers had IRAs with a total reported fair

had aggregated IRA balances greater than $5 million to $10 million. About 700 to 1,000 taxpayers had IRA balances of more than $10 million. As many as 600 taxpayers or more had IRA balances greater than $25 million.

Despite the relatively low number of taxpayers with IRA balances exceeding $5 million, the GAO voiced its concerns. These taxpayers tend to have an AGI above $200,000, to be joint filers and to be age 65 or older. Many have accumulated mega IRAs by investing in non-publicly traded shares of their own companies. The current tax law also provides incentives for taking distributions in these shares before cashing in the proceeds. The GAO notes this wasn't the primary aim of Congress when it established IRAs.

Accordingly, the GAO Report recommended that Congress should reexamine the rules for IRA accumulations. It also offered recommendations on how to improve the IRS' ability to ferret out tax cheats with undervalued assets. The IRS generally agreed with the GAO recommendations.

The lawmakers in Congress have taken notice. On November 19, SFC Chairman Weyden issued a public statement on the GAO's findings, "The state of retirement savings in the U.S. is completely out of whack. On one hand you've got people sheltering millions of dollars in mega IRAs, while at the same time nearly a third of Americans have nothing set aside for retirement. It's abundantly clear that America needs a better system and tax code that supports retirement planning for all Americans," said Wyden. "I'm committed to working with Treasury and the IRS to implement GAO's recommendations and help prevent additional abuse and fraud in the tax code."

Wyden also sent a letter to Treasury Secretary Jack Lew and to IRS Commissioner John Koskinen requesting that they move forward on the GAO recommendations. Expect to hear more in the next few months.