

MEMO# 31494

November 20, 2018

IRS Announces Extension of Transition Period for Guidance on Reporting and Withholding for Escheated IRAs

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November 20, 2018 TO: ICI Members
Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: IRS Announces Extension of Transition Period for Guidance on Reporting and Withholding for Escheated IRAs

The IRS has published [Notice 2018-90](#) extending the transition relief for reporting and withholding on escheated IRA assets. More specifically, the Notice extends the transition relief provided under [Revenue Ruling 2018-17\[1\]](#) by one year, “to payments made before the earlier of January 1, 2020, or the date it becomes reasonably practicable to comply with the withholding and reporting requirements described in Rev. Rul. 2018-17.” The ICI had requested an extension of the transition period based on discussions with member firms about the time needed to implement systems changes related to the guidance.

As a reminder, Revenue Ruling 2018-17 provided guidance on reporting and withholding obligations with respect to amounts paid from an IRA to a state unclaimed property fund. The guidance provides that under the facts and circumstances described, where a taxpayer has a traditional IRA for which no withholding election has been made, and pursuant to applicable state law, the IRA trustee is required to pay amounts from the IRA to the state unclaimed property fund, the IRA trustee must (1) withhold federal income tax from the payment (a nonperiodic distribution) at a rate of 10 percent, and (2) report the payment on Form 1099-R identifying the IRA owner as the recipient. The original transition relief for implementing the guidance as announced in the ruling was as follows: “A person will not be treated as failing to comply with the withholding and reporting requirements described in this revenue ruling with respect to payments made before the earlier of January 1, 2019, or the date it becomes reasonably practicable for the person to comply with those requirements.”

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endnotes

[1] For a description of Revenue Ruling 2018-17, see ICI Memorandum No. 31225, dated May 30, 2018, available here: https://www.ici.org/my_ici/memorandum/memo31225

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