

MEMO# 943

January 26, 1989

IRS NOTICE PROVIDING AUTOMATIC EXTENSIONS OF TIME WITH RESPECT TO 1986 TAX REFORM ACT AMENDMENTS

January 26, 1989 TO: PENSION MEMBERS NO. 3-89 RE: IRS NOTICE PROVIDING AUTOMATIC
EXTENSIONS OF TIME WITH RESPECT TO 1986 TAX REFORM ACT AMENDMENTS

As you know, recent amendments to the regulations under section 401(b) of the Internal Revenue Code extended the deadline by which an employer maintaining a qualified plan must amend the plan to comply with the 1986 Tax Reform Act and other recent legislation. Plan amendments generally will not be required until the later of (1) the due date, including extensions, for filing the employer's income tax return for the taxable year in which the 1989 plan year begins, or (2) the last day of the 1989 plan year. Attached is a copy of IRS Notice 89-8, which provides that an automatic extension of time for filing the employer's income tax return will be presumed, solely for purposes of section 401(b) of the Code. The automatic extension periods are four months for individuals, six months for corporations and three months for partnerships. Separate rules are set forth for tax- exempt organizations. The notice also sets forth three conditions that a plan sponsor must satisfy in order to qualify for the section 401(b) period. First, with respect to qualification requirements effective before 1989, the plan sponsor must have operated the plan in accordance with each of these requirements from the date the requirement became effective. Second, the plan sponsor must amend the plan retroactively to the date the requirements became effective. Third, the section 401(b) extension applies only to requirements that take effect prior to the first day of the first plan year beginning after December 31, 1989. We will keep you informed of further developments. Kathy D. Ireland
Assistant General Counsel Attachment