

MEMO# 10507

November 24, 1998

DRAFT INSTITUTE COMMENT LETTER ON ROTH IRA GUIDANCE

[10507] November 24, 1998 TO: PENSION COMMITTEE No. 80-98 PENSION OPERATIONS ADVISORY COMMITTEE No. 63-98 OCTOBER 22 ROTH IRA MEETING ATTENDEES RE: DRAFT INSTITUTE COMMENT LETTER ON ROTH IRA GUIDANCE

Attached is the second draft of the Institute's comment letter to the Internal Revenue Service regarding Roth IRA proposed regulations, Notice 98-49 and Notice 98-50. This draft reflects the comments of members received as of November 20. I have highlighted the significant changes to the initial draft below: - Item C on page 4 "reporting distributions from a Roth IRA on Form 1099-R" was deleted as a result of Announcement 98-106, issued by the Service last week. - Item E on page 6 "reporting conversion transactions involving withholding" was modified to recommend use of code 1 for all conversion transactions involving taxpayers under age 59 1/2. - The issue of "recharacterizations by beneficiaries" was added as Item A on page 7 of the second draft. We recommend that the Service should permit Roth IRA beneficiaries to recharacterize the contributions and/or conversions of deceased Roth IRA owner, subject to the recharacterization rules in the proposed regulations. - Item B on page 8, "calculation of income or loss on recharacterization transactions" was deleted. - Item D on page 9 of the second draft, "decedents who die during the 4-year spread for 1998 conversions" was modified to permit surviving spouses to elect to continue the 4-year spread of income for any portion of his or her inherited Roth IRA. Please review this draft and send your comments by COB Monday November 30, 1998. You may fax your comments to my attention at (202) 326-5841 or email me at ricard@ici.org. In addition, you may call me at (202) 218-3563 or Russ Galer at (202) 326-5835 to discuss the comment letter. We appreciate your attention to this matter. Kathryn Ricard Assistant Counsel Attachment