

MEMO# 13838

August 14, 2001

IRS ISSUES FINAL REGULATIONS ON CLASSIFICATION OF QUALIFIED PLAN AND IRA TRUSTS AS DOMESTIC TRUSTS

[13838] August 14, 2001 TO: PENSION COMMITTEE No. 57-01 RE: IRS ISSUES FINAL REGULATIONS ON CLASSIFICATION OF QUALIFIED PLAN AND IRA TRUSTS AS DOMESTIC TRUSTS The Internal Revenue Service has issued final regulations amending the regulations that define “domestic trusts” and “foreign trusts” for federal tax purposes. The final regulations remain unchanged from the proposed regulations issued in October 2000.¹ Specifically, the final regulations provide that “group trusts” consisting of qualified plan trusts and IRA trusts are deemed to satisfy the “control test” under the definition of domestic trust, if U.S. trustees control all of the substantial decisions of the trust made by the trustees of the trust. The final regulations are applicable for taxable years ending on or after August 9, 2001 (the date of publication in the Federal Register) and may be relied upon by trusts for taxable years beginning after December 31, 1996. Thomas T. Kim Assistant Counsel Attachment Attachment (in .pdf format) 1 See Institute Memorandum to Pension Committee No. 78-00, dated October 19, 2000. The preamble to the final regulations notes that two comments were submitted in response to the proposed regulations — one concerning U.S. investors in “widely held fixed investment trusts” and the other regarding pension trusts created or organized in Puerto Rico. Neither of these comments modified the provisions of the final regulations.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.