

MEMO# 10316

September 23, 1998

IRS RULES US TAXPAYER NOT ENTITLED TO ROLLOVER CANADIAN PLAN ACCOUNT BALANCE INTO AN IRA

1 IRS Letter Ruling 9833020. [10316] September 23, 1998 TO: PENSION COMMITTEE No. 64-98 RE: IRS RULES US TAXPAYER NOT ENTITLED TO ROLLOVER CANADIAN PLAN ACCOUNT BALANCE INTO AN IRA

_____ The Internal Revenue Service has ruled in a private letter ruling that a United States citizen was not entitled to roll over his account balance from a Canadian registered retirement savings plan into an IRA maintained in the U.S.¹ The American taxpayer was employed in Canada and lived in the United States. The employer established a Canadian registered retirement savings plan for its U.S. employees. The taxpayer wanted to roll over his individual account in the plan to an IRA established and maintained in the U.S. The taxpayer requested that the Service rule the following: (1) that the taxpayer's plan balance constituted an eligible rollover under Code section 402(c); and (2) that the taxpayer's plan balance could be rolled over into an IRA set up and maintained in the United States. The Service ruled that the U.S.-Canada Income Tax Treaty provides for deferral of taxation on earnings on contributions to qualified retirement arrangements as long as certain conditions are met. However, the Service noted that the treaty does not provide an exemption or deferral for amounts distributed from qualified retirement arrangements. The Service stated that the taxpayer's distribution from the plan is taxable in accordance with the Canadian Income Tax Act, even if the distribution were to be rolled over to an IRA established in the U.S. The Service concluded that the taxpayer's plan balance is not eligible to be rolled over under Code section 402(c) and that the taxpayer's plan balance could not be rolled over into an IRA established and maintained in the U.S. A copy of the private letter ruling is attached.

Kathryn A. Ricard Assistant Counsel Attachment