

MEMO# 1039

March 15, 1989

IRS REVISES PUBLICATION CONCERNING SECTION 403(B) ARRANGEMENTS

- 1 - March 15, 1989 TO: PENSION MEMBERS NO. 16-89 RE: IRS REVISES PUBLICATION CONCERNING SECTION 403(b) ARRANGEMENTS

Attached is a copy of the December 1988 revision of IRS Publication 571, Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations. The new version contains substantial revisions from the previous version, reflecting numerous legislative changes since 1983. The most significant changes appear in the section describing the taxation of distributions. This section of the publication discusses the repeal of the three-year rule with respect to annuity distributions, and the applicability of general rule and simplified general rule to individuals whose annuity starting dates are after July 1, 1986. In addition, the publication explains the various penalty taxes on early distributions, excess distributions, and any failure to take required minimum distributions. A section describing the availability of rollovers to other section 403(b) arrangements and IRAs has also been added. Other changes include a discussion of the annual limit on elective deferrals (and a corresponding worksheet), a summary of coverage and nondiscrimination rules, and replacement of the sex- based annuity table with a unisex table. The numerous citations included in the footnotes to the 1983 version of the publication have been deleted from the new version. The section concerning exchanges of annuity contracts is virtually identical to that in the 1983 version. Thus, the revised publication discusses only the procedure that includes employer involvement in such an exchange. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel - 2 - Attachment