

MEMO# 14057

October 17, 2001

INSTITUTE LETTER CONCERNING IRA TRUSTEE REPORTING OF REQUIRED MINIMUM DISTRIBUTION AMOUNTS

[14057] October 17, 2001 TO: PENSION COMMITTEE No. 68-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 64-01 AD HOC COMMITTEE ON RMD REFORM RE: INSTITUTE LETTER CONCERNING IRA TRUSTEE REPORTING OF REQUIRED MINIMUM DISTRIBUTION AMOUNTS Attached is a copy of an Institute letter to the Treasury Department and the Internal Revenue Service that addresses the IRA trustee reporting provisions of the January 2001 proposed regulations concerning required minimum distributions (RMDs).¹ The letter expresses the Institute's support for an alternative approach to these proposed reporting requirements. Specifically, under this alternative approach, beginning no later than January 31 of the year following the attainment of age 70-1/2, the IRA trustee would: • send a notice to each IRA owner that the trustee, based on its records, believes to be age 70-1/2, informing the IRA owner that (1) the trustee's records indicate that the IRA owner has attained age 70-1/2; and (2) under the Internal Revenue Code, the IRA owner must take a minimum distribution each year from his IRA assets; • notify the IRA owner that the trustee will be informing the Internal Revenue Service that the trustee's records indicate that the owner is subject to the RMD rules; and • either report the RMD calculated solely under the uniform distribution table or offer to calculate an RMD that reflects the IRA owner's individual circumstances upon the IRA owner's request. The letter further notes that the offered calculation could be performed through a variety of means, such as through an interactive computer program, during a face-to-face meeting between the IRA owner and a representative of the IRA trustee, or based upon a detailed questionnaire that could be returned to the IRA trustee for calculation. ¹ For a copy of the proposed regulations, see Institute Memorandum to Pension Members No. 2-01 and Pension Operations Advisory Committee No. 3-01, dated January 17, 2001. For copies of the Institute's comment letter and testimony concerning the proposed regulations, which were included as enclosures to the attached letter, see Institute Memorandum to Pension Members No. 19-01, Pension Operations Advisory Committee No. 31-01, and Ad Hoc Committee on RMD Reform, dated April 17, 2001, and Institute Memorandum to Pension Committee No. 35-01, Pension Operations Advisory Committee No. 36-01, and Ad Hoc Committee on RMD Reform, dated June 1, 2001. ² The letter also requests prompt action to finalize the proposed regulations, and notes that a delayed effective may be necessary in order to accommodate the systems and other changes necessary to their implementation. Kathy D. Ireland Associate Counsel Attachment (in .pdf format)

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