

MEMO# 10150

July 24, 1998

PRESIDENT SIGNS TECHNICAL CORRECTIONS LEGISLATION

1 See Institute Memorandum to Pension Members No. 38-98, Pension Operations Advisory Committee No. 24-98, Transfer Agent Advisory Committee No. 34-98, dated June 29, 1998. [10150] July 24, 1998 TO: PENSION MEMBERS No. 47-98 PENSION OPERATIONS ADVISORY COMMITTEE No. 31-98 TRANSFER AGENT ADVISORY COMMITTEE No. 43-98 AD HOC COMMITTEE ON ROTH IRA AD HOC COMMITTEE ON EDUCATION IRA RE: PRESIDENT SIGNS TECHNICAL CORRECTIONS LEGISLATION

On Wednesday July 22, President Clinton signed the Internal Revenue Service Restructuring and Reform Act of 1998, H.R. 2676, into law. The technical corrections provisions that clarify certain Roth IRA, Education IRA, and qualified plan provisions of the Taxpayer Relief Act of 1997 ("TRA '97") are included in this legislation. These technical corrections provisions were described in detail in a recent Institute memorandum.¹ The legislation signed by the President is identical to the legislation described in the June 29, 1998 Institute memorandum. Note that the general effective date for the technical corrections provisions is retroactive to the effective date of TRA '97, which is January 1, 1998. However, the provision clarifying that hardship distributions from 401(k) plans or other similar arrangements are not eligible rollover distributions and are not subject to the 20 percent withholding requirements is effective for distributions after December 31, 1998 (section 6005(c)(2)(A)). The provision clarifying that deferred compensation is considered paid, for purposes of section 404, when it is actually received by the employee is effective for taxable years ending after July 22, 1998 (section 7001(a)). The Senate amendment clarifying that taxpayers taking minimum required distributions not include these required distributions in income for purposes of the \$100,000 AGI limit for conversions is effective for taxable years after December 31, 2004 (section 7004). In addition, on July 21, 1998, the President vetoed the Education Savings and School Excellence Act of 1998, H.R. 2646. This bill would have increased the Education IRA annual contribution limit from \$500 to \$2,000 and would have permitted the use of qualified distributions for kindergarten through 12th grade education expenses, i.e., private school. A copy of the relevant portions of the technical corrections legislation and of the President's statement accompanying the veto of H.R. 2646 are attached. Kathryn A. Ricard Assistant Counsel Attachments