

MEMO# 16583

September 26, 2003

COMMENT LETTER RESPONDING TO NOTICE 2003-53 REGARDING FORMS 1099-Q AND 5498-ESA

[16583] September 26, 2003 TO: 529 PLAN ADVISORY COMMITTEE No. 55-03 OPERATIONS MEMBERS No. 28-03 PENSION MEMBERS No. 41-03 PENSION OPERATIONS ADVISORY COMMITTEE No. 62-03 TAX MEMBERS No. 49-03 TRANSFER AGENT ADVISORY COMMITTEE No. 91-03 RE: COMMENT LETTER RESPONDING TO NOTICE 2003-53 REGARDING FORMS 1099-Q AND 5498-ESA Earlier this year the IRS released Forms 1099-Q and 5498-ESA¹, which imposed new reporting requirements with respect to Coverdell ESAs, including a requirement that ESA custodians track earnings and basis for ESA accounts. In response to comment letters, including one submitted by the Institute², the Service issued Notice 2003-53³, which delayed the imposition of these requirements. Notice 2003-53 requested comments regarding the new forms. In the attached comment letter, which reflects the comments of members made during our most recent conference call on this issue, the Institute urges the following: Maintain the pre-existing reporting regime for ESA accounts, where basis and earnings calculations are the responsibility of each account holder. If new reporting requirements are imposed, make them applicable only on a prospective basis to new accounts opened after a transition period sufficient to permit record keepers to accurately track and report earnings and basis. 1 See Institute Memorandum (No. 15656) to 529 Plan Advisory Committee No 11-03, Operations Members No. 6-03, Pension Members No. 9-03, Pension Operations Advisory Committee No. 8-03, Tax Members No. 11-03 and Transfer Agent Advisory Committee No. 19-03, dated February 19, 2003. 2 See Institute Memorandum (No. 15981) to 529 Plan Advisory Committee No 25-03, Operations Members No. 13-03, Pension Members No. 19-03, Pension Operations Advisory Committee No. 23-03, Tax Members No. 26-03 and Transfer Agent Advisory Committee No. 42-03, dated April 30, 2003. The April comment letter was referenced in and included as an attachment to the comment letter discussed herein regarding Notice 2003-53. 3 See Institute Memorandum (No. 16405) to 529 Plan Advisory Committee No 43-03, Operations Members No. 22-03, Pension Members No. 36-03, Pension Operations Advisory Committee No. 48-03, Tax Members No. 42-03 and Transfer Agent Advisory Committee No. 72-03, dated August 4, 2003. 2 Clarify the rules for tracking earnings and basis (Notice 2001-81). Clarify several technical questions regarding Forms 5498-ESA and 1099-Q. Lisa Robinson Assistant Counsel Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 16583, or call the ICI Library at (202) 326-8304 and request the attachment for memo 16583. Attachment (in .pdf format)

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