

MEMO# 12369

July 24, 2000

IRS ISSUES FINAL REGULATIONS ON INVOLUNTARY CASH-OUT LIMIT

[12369] July 24, 2000 TO: PENSION MEMBERS No. 38-00 PENSION OPERATIONS ADVISORY COMMITTEE No. 52-00 RE: IRS ISSUES FINAL REGULATIONS ON INVOLUNTARY CASH-OUT LIMIT The Internal Revenue Service has issued final regulations that provide guidance relating to the increase of the cash-out limit for involuntary distributions from \$3,500 to \$5,000. This increase was made effective by the Taxpayer Relief Act of 1997 for plan years beginning after August 5, 1997. These regulations also eliminate the “lookback rule” pursuant to which certain qualified plan benefits are deemed to exceed this limit on involuntary distributions. The final regulations, which adopt with only minor modification the proposed and temporary regulations issued in December, 1998,¹ apply to distributions made after October 16, 2000. Most notably, the final regulations and the preamble to the final regulations clarify that a plan subject to Code sections 401(a)(11) and 417 may not distribute a benefit after the annuity starting date without consent, and that this prohibition applies without regard to the value of the benefit at the annuity starting date and without regard to the distribution form. Russell G. Galer Senior Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment to which this memo refers, please call the ICI Library at (202) 326-8304 and request the attachment for memo 12369. ICI Members may retrieve this memo and its attachment from ICINet (<http://members.ici.org>). Attachment (in .pdf format) 1 See Institute Memorandum to Pension Members No. 79-98 and Pension Operations Advisory Committee No. 74- 98, dated December 22, 1998.

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