

MEMO# 995

February 17, 1989

IRS ANNOUNCEMENT CONCERNING IRA DEDUCTIONS FOR MARRIED INDIVIDUALS WHO FILE SEPARATELY

February 17, 1989 TO: PENSION MEMBERS NO. 12-89 RE: IRS ANNOUNCEMENT CONCERNING IRA DEDUCTIONS FOR MARRIED INDIVIDUALS WHO FILE SEPARATELY

Attached is a copy of IRS Announcement 89-20, which explains the impact of the Technical and Miscellaneous Revenue Act of 1988 (TAMRA) upon IRA deductions for married individuals who file separate returns. TAMRA amended the rules concerning the limitations on IRA deductions by removing an unintended incentive for married couples to file separate returns. Under the 1986 Tax Reform Act, the active participant status of a taxpayer's spouse was not taken into account for purposes of the limitation on the taxpayer's IRA deduction if the taxpayer and his or her spouse filed separate returns. The new rules, which apply for taxable years beginning after 1987, provide that a married individual who files a separate return, lives with his or her spouse for any part of the tax year, and is not covered by a plan will be treated as being covered by a plan if the spouse is covered. If, on the other hand, the individual did not live with the spouse for any part of the tax year, then the individual would not be treated as being covered by a plan and therefore would be able to make a fully deductible IRA contribution. In addition, if this same individual were covered by a plan, he or she would be treated as unmarried for purposes of the IRA deduction and would use the phase-out amounts that apply to single individuals. The announcement also notes that an individual may elect to have the new provisions apply to a 1987 return, and explains how to make the election on an amended return. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachment