

**MEMO# 12438**

August 2, 2000

# **INTERNAL REVENUE SERVICE RELEASES WITHHOLDING AND REPORTING REQUIREMENTS FOR SECTION 457 PLANS**

[12438] August 2, 2000 TO: PENSION MEMBERS No. 40-00 PENSION OPERATIONS ADVISORY COMMITTEE No. 58-00 RE: INTERNAL REVENUE SERVICE RELEASES WITHHOLDING AND REPORTING REQUIREMENTS FOR SECTION 457 PLANS The Internal Revenue Service recently released Notice 2000-38, which provides withholding and reporting rules that apply to section 457(b) plan participants who are or were employees of state and local governments or tax-exempt organizations and does not cover special reporting rules that may apply to section 457(b) plan participants who are or were independent contractors. This notice is applicable to deferrals and distributions made after December 31, 2001. Specifically, the notice addresses the following: • Income tax withholding and reporting with respect to annual deferrals made to a section 457(b) plan; • Income tax withholding and reporting with respect to distributions from a section 457(b) plan; • FICA payment and reporting with respect to annual deferrals under a section 457(b) plan; • EINs used in connection with trusts established under section 457(g); and • The application of annual reporting requirements to section 457(b) plan administrators and trustees holding assets of a section 457(b) plan in accordance with section 457(g). The Service requests comments concerning this notice, particularly regarding other useful approaches the Service might consider regarding the administration of section 457(b) plans, including alternatives to Form W-2 reporting. A copy of Notice 2000-38 is attached. Kathryn A. Ricard Associate 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 12438. ICI Members may retrieve this memo and its attachment from ICINet (<http://members.ici.org>). Attachment (in .pdf format)