

MEMO# 11017

May 27, 1999

IRS RELEASES GUIDANCE ON AUTOMATIC EXTENSION FOR RECHARACTERIZATIONS

[11017] May 27, 1999 TO: PENSION COMMITTEE No. 35-99 PENSION OPERATIONS
ADVISORY COMMITTEE No. 32-99 RE: IRS RELEASES GUIDANCE ON AUTOMATIC EXTENSION
FOR RECHARACTERIZATIONS

The Internal Revenue Service has released Announcement 99-57, which provides that taxpayers who have filed their returns in a timely manner (i.e., by April 15) may still file an election to recharacterize Roth IRA conversions. Announcement 99-57 states that regulation section 301.9100-2(b) provides for an automatic extension of six months from the due date of the return, excluding extensions, to make elections that otherwise must be made by a return's due date. Therefore, taxpayers who filed their returns by April 15, 1999 may still elect to recharacterize 1998 Roth IRA contributions and conversions on or before October 15, 1999. Section 301.9100-2(b) of the regulations generally provides for an automatic extension of 6 months from the due date of a return, excluding extensions, to make elections that otherwise must be made by the due date of the return or the due date of the return plus extensions, provided (1) the taxpayer's return was timely filed for the year the election should have been made, and (2) the taxpayer takes appropriate corrective action within this 6-month period. Announcement 99-57 states that in the case of a calendar-year-basis taxpayer who has timely filed his or her 1998 Federal income tax return, he or she can elect to recharacterize a 1998 IRA contribution, including a Roth IRA conversion for which the taxpayer was not eligible, provided the appropriate corrective action, i.e., the recharacterization election, occurs on or before October 15, 1999. However, the Service may invalidate a recharacterization election that is not properly reflected on the taxpayer's 1998 return. Therefore, a taxpayer who did not reflect the recharacterization election on his or her filed returns and who intends to take advantage of the automatic extension under section 301.9100-2(b) of the regulations, must timely file an amended 1998 return that properly reflects the recharacterization. The amended return is not due by October 15, 1999, but must be filed by the normal deadline for amended returns. A copy of Announcement 99-57 is attached. Kathryn A. Ricard Assistant Counsel Attachment