

MEMO# 18797

April 21, 2005

DRAFT INSTITUTE COMMENT LETTER ON PROPOSED REGULATIONS CONCERNING DESIGNATED ROTH CONTRIBUTIONS

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [18797] April 21, 2005 TO: PENSION COMMITTEE No. 13-05 PENSION OPERATIONS ADVISORY COMMITTEE No. 12-05 RE: DRAFT INSTITUTE COMMENT LETTER ON PROPOSED REGULATIONS CONCERNING DESIGNATED ROTH CONTRIBUTIONS Attached is a draft of the Institute's comment letter on the IRS proposed regulations governing designated Roth contributions under section 402A of the Internal Revenue Code. The letter asks that the IRS provide prompt guidance in this area, especially with respect to taxation and reporting issues, in order to allow plan sponsors and recordkeepers to establish the systems necessary to accommodate this new type of contribution by January 1, 2006. Specifically, the letter asks for clarification as to the requirement that plans maintain separate account for such contributions, and recommends rules governing holding periods for amounts rolled over into existing Roth IRAs and tax reporting of distributions on IRS Form 1099-R. The letter also notes that differing tax treatment between designated Roth contribution accounts and Roth IRAs could cause confusion on the part of taxpayers. Finally, the Institute urges the IRS to provide assistance to employers in the form of model plan amendments and updates to the model notice under section 402(f). Please contact me with any comments or questions concerning the draft letter by Thursday, April 28, by telephone at 202-371-5432, by fax at 202/326-5841, or by email at kireland@ici.org. Kathy D. Ireland Senior Associate Counsel Attachment Attachment (in .pdf format)