

MEMO# 9254

September 18, 1997

IRS CLARIFIES NEW RULE REGARDING PENALTY-FREE IRA WITHDRAWALS FOR EDUCATION

[9254] September 18, 1997 TO: PENSION MEMBERS No. 42-97 PENSION OPERATIONS
ADVISORY COMMITTEE No. 34-97 RE: IRS CLARIFIES NEW RULE REGARDING PENALTY-FREE
IRA WITHDRAWALS FOR EDUCATION

The Internal Revenue Service has clarified the effective date of the provision in the Taxpayer Relief Act of 1997 that permits penalty-free early withdrawals from Individual Retirement Accounts if the withdrawal is used to pay qualified higher education expenses. According to the release, Notice 97-53, this provision is effective for IRA distributions made after December 31, 1997, with respect to expenses paid after that date, for education provided in "academic periods" beginning after that date. An "academic period" includes a semester, trimester or quarter, or other academic term designated by the educational institution and begins on the first day of classes, not including periods of orientation, counseling or vacation. We will keep you informed of developments. Russell G. Galer Assistant Counsel - Pension Attachment (in .pdf format) Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8304, and ask for this memo's attachment number: 9254.

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