MEMO# 1199

June 8, 1989

PRIVATE LETTER RULINGS CONCERNING "SUBSTANTIALLY EQUAL PERIODIC PAYMENTS"

June 8, 1989 TO: PENSION MEMBERS NO. 27-89 RE: PRIVATE LETTER RULINGS CONCERNING "SUBSTANTIALLY EQUAL PERIODIC PAYMENTS" ____ In Notice 89-25, the IRS set forth three alternative methods of computing the "series of substantially equal periodic payments" from an IRA or individual account plan exempt from the section 72(t) tax on early distributions under section 72(t)(2)(A)(iv). (See Institute Memorandum to Pension Members No. 21-89, dated March 27, 1989.) One of these methods involves the amortization of the account balance over the life expectancy of the participant or the joint life and last survivor expectancy of the participant and the beneficiary at an interest rate not exceeding a reasonable rate on the date payments commence. Attached are copies of five recent private letter rulings approving the use of a variety of different interest rates in this calculation. In these letter rulings, the taxpayers proposed the use of (1) the interest rate specified in section 2619.41 of the Pension Benefit Guaranty Corporation regulations, Appendix B; (2) the federal long-term rate; (3) the average of the Adjusted Federal Long Term Rates used for purposes of section 382 of the Code for the prior 12 months; (4) an assumed rate of 9 percent; and (5) the Long-Term Federal Rate used for purposes of section 1288(b) of the Code. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachments