

MEMO# 1367

August 24, 1989

INSTITUTE LETTER TO DEPARTMENT OF LABOR CONCERNING IRA PREMIUMS

- 1 - August 24, 1989 TO: PENSION COMMITTEE NO. 4-89 RE: INSTITUTE LETTER TO
DEPARTMENT OF LABOR CONCERNING IRA PREMIUMS

As we previously advised, the Department of Labor recently issued an advisory opinion that concluded that an IRA participant's receipt of free checking account services from a bank based upon his maintaining his IRA at the bank would constitute a prohibited transaction under section 4975(c)(1) of the Internal Revenue Code. (See Institute Memorandum to Pension Members No. 36-89, dated August 1, 1989.) Attached is a copy of an Institute letter to the Department of Labor, concurring in the analysis set forth in the advisory opinion. The letter notes that the Department's conclusion is completely consistent with the analysis upon which a 1983 proposed class exemption from the prohibited transaction provisions for certain premiums and gifts was based. (See Institute Memorandum to Pension Members No. 5-83, dated February 8, 1983.) The Institute's letter also reasserts the opposition to the proposed class exemption originally expressed in its 1983 comment letter. (See Institute Memorandum to Pension Members No. 33-83, dated October 3, 1983.) We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachment

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