

MEMO# 8499

December 24, 1996

IRS RELEASES SIMPLE IRA GUIDANCE

December 24, 1996 TO: PENSION COMMITTEE No. 50-96 PENSION OPERATIONS COMMITTEE
RE: IRS RELEASES SIMPLE IRA GUIDANCE

The Internal Revenue Service today released Notice 97-6, attached, which provides comprehensive guidance on SIMPLE IRAs. The guidance, in question and answer format, addresses many previously unresolved issues including the application of the "cost or penalty" clause in Code section 408(p)(7) and the nature of a "designated financial institution's" duties. See Section J of the Notice. The guidance includes information on the types of investment products that may be offered in a SIMPLE plan using a designated financial institution, the required frequency of transfers from the designated financial institution to another institution selected by a SIMPLE participant, and the annual fees that may be imposed on SIMPLE accounts. See Section J. The guidance also addresses information reporting requirements imposed upon SIMPLE IRA trustees. See Section H. Additionally, the Notice explains how the previously issued Form 5305-SIMPLE may be modified for use by employers that are establishing a SIMPLE plan, but not using a "designated financial institution." See Section K. We will keep you informed of developments. Russell G. Galer
Assistant Counsel - Pension Attachment

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