

MEMO# 13358

April 5, 2001

DRAFT OF INSTITUTE COMMENT LETTER ON RMD PROPOSED REGULATIONS

[13358] April 5, 2001 TO: PENSION COMMITTEE No. 20-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 28-01 AD HOC COMMITTEE ON RMD REFORM RE: DRAFT OF INSTITUTE COMMENT LETTER ON RMD PROPOSED REGULATIONS Attached is a revised draft of the Institute's comment letter on the Internal Revenue Service's proposed regulations on required minimum distributions.¹ The letter is divided into three sections – IRA reporting requirements, transition issues and additional issues needing clarification. In the IRA reporting requirements section, we address the problems that IRA trustees would face in reporting annual RMD amounts to their shareholders. In an effort to address our reporting recommendations earlier in the letter, we moved the discussion of the seven scenarios describing the situations where an IRA trustee would lack the information necessary to report an accurate RMD amount to Appendix A. We then recommend that the Service consider two alternative reporting approaches. Under the first alternative, IRA trustees would be required to provide taxpayers aged 70 ½ and older and beneficiaries with information designed to notify them of the RMD rules and how to calculate RMD amounts. We also recommend that IRA trustees be required to provide the Service with information concerning IRA owners who are aged 70 ½ and older as well as those beneficiaries subject to the RMD rules. We request feedback on various issues with respect to this reporting alternative including: A. Notification to the Service on who is subject to the RMD rules: 1. Do we want to recommend that the Service add a checkbox to Form 5498 indicating that the IRA "may be subject to the RMD rules"? This would take the place of sending date of birth information to the Service. 2. If we decide to send date of birth information to the Service, do we prefer to send date of birth information for all of our IRA owners or just for those aged 70 ½ or older? 1 See Institute Memoranda to Pension Members No. 2-01 and Pension Operations Advisory Committee No. 3-01, dated January 17, 2001. 2B. Notification to Beneficiaries: 1. Do we want to offer sending notification to beneficiaries annually or just at the time the trustee is notified regarding the death of the IRA owner? C. Effective Date: 1. Do we want to recommend that the effective date for such reporting requirement be one or two years after the later of issuance of the final regulations or appropriate IRS forms? We also recommend that the Service develop a worksheet to facilitate the calculation of RMDs. Our letter will include a sample worksheet in Appendix B. We will be sending the sample worksheet for your review in the near future. We also propose a second alternative to the proposed reporting requirement –one that would add date of birth information to the Form 1040, and include a worksheet to help the taxpayer calculate his RMD for the year. The transition issues and additional issues needing clarification sections have been revised to reflect member comments. Please review this draft letter and provide comments to me via email at ricard@ici.org or by fax at (202) 326-5841 or by calling me at (202) 218-3563 by COB Wednesday, April 11, 2001. Kathryn A. Ricard Associate Counsel Attachment

Attachment (in .pdf format)

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