

MEMO# 1321

August 7, 1989

TAX COURT DECISION CONCERNING IRA ROLLOVER

August 7, 1989 TO: PENSION MEMBERS NO. 37-89 RE: TAX COURT DECISION CONCERNING IRA ROLLOVER _____ Attached is a copy of Wood v. Commissioner, a Tax Court decision addressing the 60-day period within which IRA rollovers must be accomplished. The taxpayer in Wood received a lump-sum distribution from his employer's plan upon retirement. Within 60 days of his receipt of this distribution, he opened an IRA rollover account with a brokerage company, delivered the distribution check and stock certificates to the account executive, and instructed the account executive to deposit the check and the certificates into his IRA rollover account. These amounts were deposited into another account maintained by the taxpayer at the brokerage company. The cash portion of the distribution was transferred into the IRA rollover account within the 60-day period, but the stock was not recorded as transferred to the IRA rollover account until several months after the period had expired. The Tax Court found that the brokerage house's failure to record the transfer of the taxpayer's stock was nothing more than a bookkeeping error. The court held that the substance of the transaction, rather than the bookkeeping, should control. Noting that the taxpayer took reasonable steps establish an IRA rollover account and transfer the lump-sum distribution to that account in a timely manner, the court held that the rollover was timely. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel
Attachment