



New Rollover Tax Notices Included In IRS Retirement Savings Initiatives

In September, 2009, the IRS issued four notices and three revenue rulings to encourage retirement savings through qualified retirement plans. This alert will focus primarily on the new Rollover Tax Notices.

New Rollover Tax Notices

I.R.C. §402(f) requires that recipients of an eligible rollover distribution from a qualified retirement plan, such as a 401(k) plan, a 403(b) plan or a governmental 457(b) eligible deferred compensation plan, receive a special tax notice describing direct rollover options and the tax consequences of not rolling over to an individual retirement account ("IRA") or another eligible employer plan. A model rollover tax notice was last issued by the IRS in 2002. There have been a number of changes in the law since 2002, which prompted the issuance of new model Rollover Tax Notices.

IRS Notice 2009-65 provides two model notices, one for recipients of eligible rollover distributions from designated Roth accounts and one for recipients of eligible rollover distributions that are not from Roth accounts. The model form of notices explain the rollover rules in a simple and easy to understand style, which include explanations of certain special rules that apply to spouses and other beneficiaries. The IRS encourages employers to tailor the notices to the terms and administrative procedures for each of their plans. For example, explanations of the special rules that apply to the distribution of employer securities should be deleted from a Rollover Tax Options Notice for a plan that does not include investments in employer securities.

Employers **may** begin using the new Rollover Tax Notices immediately and **must** use the new Rollover Tax Notice effective January 1, 2010.

Other IRS Retirement Savings Initiatives

IRS Notice 2009-65, which provides sample amendments for adding automatic enrollment to 401(k) plans.

IRS Notices 2009-66 and 2009-67, which provide guidance and sample amendments for adding automatic enrollment to SIMPLE IRAs.

Revenue Ruling 2009-30, which provides guidance with respect to automatic contribution increases under automatic contribution arrangements.

Revenue Ruling 2009-31, which provides guidance with respect to plan contributions and/or deferrals from unused annual paid leave.

Revenue Ruling 2009-32, which provides guidance with respect to plan contributions or deferrals from paid leave at termination of employment.

Please let us know if we can help you tailor the required IRA Rollover Notices to your retirement plan's terms or assist you in exploring whether your plan should be amended to take advantage of one or more of the IRS retirement savings initiatives.

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