

INTERNAL REVENUE SERVICE

200606053

NOV 16 2005

Uniform Issue List: 402.00-00

Legend:

Decedent B =
Taxpayer A =
Insurance Company I =
Amount D =
Financial Advisor C =
Amount E =
Amount F =
Amount G =

Dear [REDACTED]

This is in response to your letter dated January 17, 2005, in which you request a waiver of the 60-day rollover requirement contained in section 402(c)(3)(A) of the Internal Revenue Code (the Code), as applicable to an annuity described in Code section 403(b) pursuant to Code section 403(b)(8)(B)..

The following facts and representations have been submitted under penalty of perjury in support of the ruling requested:

Taxpayer A, age 57, represents that she received a distribution from a tax shelter annuity (TSA) retirement account totaling Amount G. Taxpayer A asserts that her failure to accomplish a rollover within the 60-day period prescribed by section 402(c)(3)(A) was due to her reliance on erroneous advice given to her by her financial advisor in connection with the rollover.

Decedent B died on April 24, [REDACTED] having named his surviving spouse, Taxpayer A, as the beneficiary of a (TSA) retirement account Decedent B maintained with Insurance

Company I. The value of the retirement account was Amount D.

Taxpayer A, as beneficiary, intended to roll over the entire balance of Amount D from the TSA retirement account into an IRA account in a direct rollover. Taxpayer A sought the help of Financial Advisor C who gave Taxpayer A instructions in handling the distribution and rollover of the various retirement accounts maintained by Decedent B.

With the help of Financial Advisor C, Taxpayer A completed a distribution form requesting that Insurance Company I distribute Amount D from the TSA without income tax withholdings. Financial Advisor C instructed Taxpayer A to elect a lump sum distribution instead of a direct rollover distribution on the distribution form. As a result Insurance Company I withheld federal income taxes in Amount E, and state income taxes in Amount F and on September 10, [REDACTED] Taxpayer A received a net distribution check in Amount G. In addition, Financial Advisor C informed Taxpayer A that she had 90 days to comply with the rollover rather than the 60-day period provided by section 402(c)(3)(A) of the Code. Financial Advisor C has confirmed in writing that she provided Taxpayer A with misleading information in that she urged Taxpayer A to request a lump sum distribution as opposed to a direct rollover, and misinformed Taxpayer A that she had 90 days to roll over the lump sum distribution from the TSA.

On December 5, [REDACTED] Taxpayer A sent three checks totaling Amount D to her IRA account which was accepted as a rollover of the lump sum distribution from the TSA.

Based on the facts and representations, you request that the Service waive the 60-day rollover requirement with respect to the distribution of Amount D because the failure to waive such requirement would be a hardship and against equity or good conscience.

With respect to your request to waive to 60 day rollover requirement, section 403(b)(1)(E) of the Code provides, in relevant part, that any amount distributed out of an annuity contract described in section 403(b)(1) shall be taxable to the distributee, in the taxable year of the distributee in which distributed, in the manner provided under section 72 of the Code (relating to annuities).

Code section 403(b)(8)(A) provides that if any portion of the balance to the credit of an employee in a 403(b) annuity contract is paid to him in an eligible rollover distribution (within the meaning of section 402(c)(4)), and the employee transfers any portion of the distribution to an eligible retirement plan described in section 402(c)(8)(B), then the distribution to the extent transferred shall not be includible in gross income for the taxable year in which it was distributed.

Section 402(c)(8) defines an eligible retirement plan for purposes of subsection (c) as including an IRA described under section 408(a).

Section 403(b)(8)(B) provides that rules similar to the rules of paragraphs (2) through (7) and (9) of section 402(c) shall apply for purposes of section 403(b)(8)(A).

Section 403(b)(10) provides, in relevant part, that any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of the transfer.

Section 402(c) of the Code provides rules governing rollovers of amounts from exempt trusts to eligible retirement plans including IRAs.

Section 402(c)(9) of the Code provides, in general, that where a surviving spouse receives a distribution attributable to the deceased spouses' eligible retirement plan, the surviving spouse shall treat the distribution in the same manner as if the surviving spouse were the employee.

Section 401(a)(31)(A) of the Code provides that a trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if the distributee of any eligible rollover distribution-

- (i) elects to have such distribution paid directly to an eligible retirement plan, and
- (ii) specifies the eligible retirement plan to which such distribution is to be paid (in such form and at such time as the plan administrator may prescribe), such distribution shall be made in the form of a direct trustee-to-trustee transfer to the eligible retirement plan so specified.

Section 401(a)(31)(E) of the Code provides that, for purposes of Code section 401(a)(31), the term "eligible retirement plan" has the meaning given such term by section 402(c)(8)(B) with an exception not pertinent to this ruling request. Thus, a direct transfer defined in Code section 401(a)(31), may be made into an IRA.

Section 1.401(a)(31)-1 of the Income Tax Regulations, Question and Answer-5, provides, in relevant part, that an eligible rollover distribution that is paid to an eligible retirement plan in a direct rollover is not currently includible in the distributee's gross income under section 402(c) and is exempt from the 20-percent withholding imposed under section 3405(c)(2) of the Code.

Section 1.401(a)(31)-1 of the Income Tax Regulations, Question and Answer-15, provides, in relevant part, that a direct rollover described in Code section 401(a)(31) is a distribution and rollover of the eligible rollover distribution and not a transfer of assets and liabilities. Thus, for example, the consent and requirements of Code sections 401(a)(11), 411(a)(11), and 417 apply to transactions described in Code section 401(a)(31).

Code section 402(c)(3)(A) provides that, except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

Section 402(c)(3)(B) of the Code provides that the Secretary may waive the 60-day requirement under section 402(c)(3)(A) of the Code where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement. Only distributions that occurred after December 31, 2001, are eligible for the waiver under section 402(c)(3)(B) of the Code.

Revenue Procedure 2003-16, 2003-4 I.R.B. 359, (January 27, 2003), provides that in determining whether to grant a waiver of the 60-day rollover requirement pursuant to section 402(c)(3)(B), the Service will consider all relevant facts and circumstances, including: (1) errors committed by a financial institution; (2) inability to complete a rollover due to death, disability, hospitalization, incarceration, restrictions imposed by a foreign country or postal error, (3) the use of the amount distributed (for example, in the case of payment by check, whether the check was cashed); and (4) the time elapsed since the distribution occurred.

The information presented and documentation submitted by Taxpayer A is consistent with her assertion that her failure to accomplish a timely rollover was caused by Taxpayer A's reliance on erroneous advice given to her by her tax advisor in connection with the rollover.

Thus, based on the above, pursuant to Code section 402(c)(3)(B), the Service hereby waives the 60-day rollover period found in Code section 402(c)(3)(A). As a result, the Service will treat Taxpayer A's December 5, x [REDACTED] rollover contribution of Amount G into her IRA as a valid rollover within the meaning of Code section 402(c).

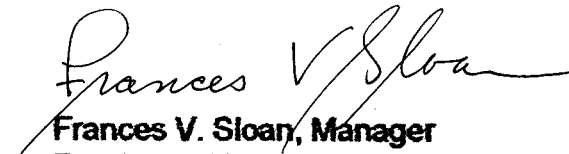
No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

200606058

If you wish to inquire about this ruling, please contact [REDACTED] I.D. # [REDACTED]
[REDACTED] at [REDACTED] Please address all correspondence to SE:T:EP:RA:T3.

Sincerely yours,


Frances V. Sloan, Manager
Employee Plans Technical Group 3

Enclosures:
Deleted copy of letter ruling
Notice of Intention to Disclose