

IRS Issues Welcome Relief to the Rollover Rules

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In a major change from past practice, at the end of August 2016, the Internal Revenue Service (IRS) issued Revenue Procedure 2016-47, providing significant relief to the rollover rules under the Internal Revenue Code.

As plan sponsors and benefits specialists know, distributions from a retirement plan or individual retirement account (IRA) can be directly or indirectly rolled over to another retirement plan or IRA.

An indirect rollover occurs where a participant or beneficiary receives a distribution from a retirement plan or IRA and, within 60 days, deposits such payment in another retirement plan or IRA account. The IRS has authority to waive the 60-day requirement where the delay is beyond the control of the individual. In the past, an individual seeking such relief was required to submit a private letter ruling application to the IRS unless the delay was due to the fault of the financial institution. These rules often resulted in plans having to deny indirect rollovers and limited the ability of plan participants to continue to save for retirement. Pursuant to Revenue Procedure 2016-47, the IRS now allows an individual to alternatively provide a self-certification to the plan administrator or IRA trustee to obtain relief from the 60-day rule.

Although this is generally received as welcome relief, this guidance does open the door for some further questions for plans. First, the Revenue Procedure states that if the IRS later determines that the individual was not entitled to relief from the 60-day rule, the individual may be subject to additions in income and penalties. The guidance does not provide whether the receiving retirement plan or IRA would also be required to take any corrective action, such as distribute such amounts. Also, the IRS did not address whether it would be making corresponding changes to its model Special Tax Notice, as most recently published in Notice 2009-68 and as amended by Notice 2014-74. The Special Tax Notice is required to be sent to participants who receive rollover-eligible distributions.

Revenue Procedure 2016-47, which includes a model self-certification statement, can be found [here](#).

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