

# IRALERT

March 30, 2007

TO: IRA Group Distribution

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RE: Possible Technical Corrections for PPA IRA Provisions

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Possible technical corrections under the Pension Protection Act of 2006 have begun to circulate, and we have seen a few that are being considered that would affect IRAs. Though we do not have actual legislative language yet, we wanted to alert the group to the issues we've seen raised so far:

- Charitable distributions. It has been proposed that the provision regarding tax-free IRA distributions to charities be clarified so that the rule under 408(d)(8)(D) for determining the taxable part of any distribution for purposes of applying the section 72 rules (this is in turn for the rule that the qualified charitable distribution is generally deemed to first come out of the taxable portion of the IRAs, then out of any nondeductible contributions) be calculated as if all of the amounts in the individual's IRAs were distributed, rather than based solely on the amounts actually distributed. This is what the legislative history indicates, but some believed the statute was not clear. This issue apparently also arises under Code section 408(d)(9)(E) allowing rollovers from IRAs to HSAs.
- Nonspouse rollovers. It has been proposed that the language be clarified to prohibit a rollover from a nonspouse inherited IRA to another IRA. This would apparently not preclude direct trust-to-trust transfers from one inherited IRA to another.
- Automatic enrollment. It has been proposed to expand the special correction rules for auto enrollment contributions to also apply to SIMPLE IRAs and SARSEPs.

Please feel free to direct questions to any of the Groom principals listed above or to [IRA@groom.com](mailto:IRA@groom.com).

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