

Part III. Administrative, Procedural, and Miscellaneous

Reporting Required Minimum Distributions From IRAs

Notice 2003-3

PURPOSE

This notice clarifies Notice 2002-27, 2002-18 I.R.B. 814, which provides guidance on the reports that trustees are required to make regarding minimum distributions from individual retirement accounts and annuities ("IRAs"). Specifically, this notice provides that a trustee can satisfy the requirement to provide statements regarding required minimum distributions to the owners of the IRAs for which it is the trustee by using one of the two alternatives provided in Notice 2002-27 for some IRA owners and the other alternative for other IRA owners. Further, this notice provides guidance on how these statements can be transmitted electronically.

BACKGROUND AND GENERAL INFORMATION

Section 408(i) of the Internal Revenue Code provides that the trustee of an IRA shall make such reports regarding the IRA to the Secretary and to the IRA owner as the Secretary may require. Form 5498, *IRA Contribution Information*, is a form used to satisfy part of this reporting requirement.

Section 1.408-8, A-10, of the Income Tax Regulations provides that the trustee of an IRA must report information regarding required minimum distributions ("RMDs") from that IRA in accordance with rules prescribed by the Commissioner. Pursuant to this delegation of authority, the Service issued Notice 2002-27. Notice 2002-27 provides that, if a minimum distribution is required with respect to an IRA for a calendar year after 2002, and the IRA owner is alive at the beginning of the year, the trustee that held the IRA as of December 31 of the prior year must provide a statement to the IRA owner by January 31 of the calendar year regarding the RMD in accordance with either of two alternatives. Under *Alternative one*, the trustee must furnish the IRA owner a statement indicating the RMD amount for the IRA and the date by which such amount must be distributed. Under *Alternative two*, the trustee must furnish the IRA owner a statement showing that an RMD is required for the calendar year and the date by which the RMD must be distributed, and including an offer to calculate, upon request, the amount of the RMD. The statement required under either alternative must be provided by January 31 of each calendar year for which an RMD is required (thus, the first statement must be provided to an IRA owner by January 31 of the calendar year he or she attains age 70½).

Notice 2003-2, 2003-2 I.R.B. (January 13, 2003), provides that until further notice, notwithstanding A-12 of § 1.401(a)(9)-6T, in the case of an annuity contract under an IRA from which annuity payments have not commenced on an irrevocable

basis (except for acceleration), the IRA trustee may determine the entire interest under the annuity contract as the dollar amount credited to the employee or beneficiary under the annuity contract without regard to the actuarial value of any other benefits (such as minimum survivor benefits) that will be provided under the contract.

Any term used in this notice (such as "trustee") that is also used in Notice 2002-27 has the meaning given such term in Notice 2002-27.

REQUIRED REPORTING TO THE IRA OWNER

Permitted inconsistent use of alternatives. Notice 2002-27 is clarified to provide that a trustee is permitted to satisfy the requirement in Notice 2002-27 that it provide statements regarding the required minimum distributions to the owners of the IRAs for which it is the trustee by providing statements that satisfy *Alternative one* to some IRA owners and statements that satisfy *Alternative two* to the rest of the IRA owners.

Permitted electronic furnishing of statements. Pursuant to this notice, a trustee is permitted to transmit electronically the statements that it is required, under Notice 2002-27, to provide to IRA owners regarding required minimum distributions if the following requirements are satisfied. For 2003, the electronic transmission must comply with a reasonable and good-faith interpretation of applicable law. For calendar years after 2003, the trustee is permitted to transmit the statements electronically only if the procedures that apply to the electronic transmission of Forms W-2, *Wage and Tax Statement* are satisfied, including the consent requirement described in regulations under Code § 6051. Use of these procedures is a reasonable, good-faith interpretation of applicable law for 2003.

EFFECT ON OTHER DOCUMENTS

Notice 2002-27 is clarified.

DRAFTING INFORMATION

The principal author of this notice is Roger Kuehnle of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please contact Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number), between the hours of 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday. Mr. Kuehnle can be reached at 1-202-283-9888 (not a toll-free number).