INTERNAL REVENUE SERVICE

IRS News Release

Media Relations Office | Washington, D.C. | Media Contact: 202.622.4000

www.irs.gov/newsroom | Public Contact: 800.829.1040

IRS, Treasury Issue Guidance on New Distribution Provisions of the Pension Protection Act

IR-2007-7, Jan. 10, 2007

WASHINGTON — The Treasury Department and the IRS issued a notice today providing extensive guidance on several Pension Protection Act rules relating to distributions from tax-qualified retirement plans.

The guidance addresses many questions on PPA provisions, including:

- interest rate assumptions for lump sum distributions
- hardship distributions from a 401(k) and similar plans
- early distributions from qualified plans to terminated public safety employees
- rollovers from qualified plans to IRAs for non-spouse beneficiaries
- distributions to pay for health insurance for retired public safety officers
- earlier vesting of certain employer contributions
- new rules for the notice and consent period for distributions

The notice also clarifies several issues concerning the provision permitting IRA owners age 70 ½ or older to directly transfer tax-free, up to $100,000 per year to an eligible charity. For example, a check from an IRA made payable to an eligible charity but delivered by the IRA holder still qualifies for tax-free treatment. IRAs held on behalf of beneficiaries, as well as IRAs held by the original owners, are eligible to use this provision. Additionally, the $100,000 annual limit applies separately for each spouse of a married couple. If both spouses have IRAs and are at least age 70 ½, the couple can transfer a combined total of $200,000.

—30—