

**Notice 97-53, I.R.B. 1997-40, October 6, 1997.**

Section 203 of the Taxpayer Relief Act of 1997 provides that the 10-percent additional tax on early distributions from individual retirement arrangements (IRAs) does not apply to certain distributions for educational expenses after 1997. This Notice provides guidance concerning the effective date of this provision.

In general, section 72(t) of the Internal Revenue Code imposes an additional 10-percent tax on amounts withdrawn from a qualified retirement plan (including an IRA) before age 59-1/2 subject to certain exceptions. Section 203 of the Taxpayer Relief Act of 1997 added certain educational expenses to the list of exceptions to the 10-percent additional tax. The exception for educational expenses is limited to the qualified higher education expenses of the taxpayer, the taxpayer's spouse, or any child or grandchild of the taxpayer or spouse.

Section 203 is effective for IRA distributions made after December 31, 1997, with respect to expenses paid after that date, for education provided in academic periods beginning after that date. An "academic period" includes a semester, trimester, quarter, or other academic term designated by the educational institution. For this purpose, an academic period begins on the first day of classes, and does not include periods of orientation, counseling or vacation.

For example, assume the 1997-1998 schedule of a college or university divides the academic year into two semesters; the first semester begins in September 1997, and the second semester begins in January 1998. The benefits are not available for the September semester. The benefits of section 203 would be available, however, for the qualified expenses for the semester that begins in January 1998, provided the IRA distribution is made after December 31, 1997 and the expenses are paid after that date. This result applies to students who are enrolled in both semesters as well as to students whose enrollment begins only with the January semester.

For further information concerning the term "academic period" contact Monice Rosenbaum of the Office of Associate Chief Counsel (Employee Benefits and Exempt Organizations) at (202) 622-6070 (not a toll-free call). For other information concerning this Notice contact Cathy Vohs of the Office of Associate Chief Counsel (Employee Benefits and Exempt Organizations) at (202) 622-6030 (not a toll-free call).