

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

UIL: 408.00-00

200128058

contact Person:

Telephone Number:

In Reference to:

Date: T:EP:RA:T3

APR 16 2001

Legend:

Taxpayer A:

Taxpayer B:

Accountant C:

IRA X:

IRA Y:

Company M:

Month L:

Dear

In letters dated October 10, 2000, and February 13, 2001, you requested a ruling in which you request relief under section 301.9100-3 of the Procedure and Administration Regulations. The following facts and representations support your ruling request.

Taxpayer A maintained IRA X, an individual retirement arrangement described in Code section 408(a), with Company M. During Month L 1998, pursuant to the advice of his accountant, Accountant C, Taxpayer A converted IRA X to a Roth IRA, IRA Y, also with company M. Taxpayer A is married to Taxpayer B. Taxpayers A and B's adjusted gross income for 1998 exceeded the limit found at section 408A(c) (3) (B) of the Internal Revenue Code. However, prior to the IRA "conversion", Taxpayers A and B were not advised by their tax preparer, Accountant C, that Taxpayer A was ineligible to convert IRA X to Roth IRA Y.

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Additionally, Taxpayers A and B were unaware of the time limits found in Announcements **99-57** and 99-104 for **recharacterizing** an amount that had been converted from a traditional **IRA** to a Roth **IRA**.

Taxpayers A and B timely filed their calendar year joint 1998 Federal Income Tax Return.

Based on the above you request the following letter ruling:

That, pursuant to section 301.9100-3 of the **regulations**, Taxpayer A is granted a period not to exceed six months **from** the date of this ruling letter to **recharacterize** his Roth **IRA**, **IRA Y**, to a traditional **IRA**.

With respect to your request for relief under section 301.9100-3 of the regulations, section **408A(d)(6)** of the Internal Revenue Code and section **1.408A-5** of the Income Tax Regulations provide that, **except** as otherwise provided by **the Secretary**, a taxpayer may elect to **recharacterize** an **IRA** contribution made to one type of **IRA** as having been made to another type of **IRA** by making a trustee-to-trustee transfer of the **IRA** contribution, plus earnings, to the other type of **IRA**. In a **recharacterization**, the **IRA** contribution is treated as having been made to the **transferee** **IRA** and not the transferor **IRA**. Under section **408A(d)(6)** and section **1.408A-5**, this **recharacterization** election generally must occur on or before the date prescribed by law including extensions, for filing the taxpayer's federal income tax returns for the year of contributions.

Section **1.408A-5**, Question and Answer **-6**, describes how a taxpayer makes the election to **recharacterize** the **IRA** contribution. To **recharacterize** an amount that has been converted from **a traditional IRA to a Roth IRA: (1) the taxpayer must notify the Roth IRA trustee of the** taxpayer's intent to **recharacterize** the amount, (2) the taxpayer must provide the trustee (and the transferee trustee, if different **from** the transferor trustee) with specified **information** that is **sufficient** to effect the **recharacterization**, and (3) the trustee must make the transfer,

Section **1.408A-4**, Q&A-2, provides, in summary, that an individual with **modified** adjusted gross income in excess of \$100,000 for a taxable year is not permitted to convert an amount to a Roth **IRA** during that taxable year. Section **1.408A-4**, Q&A-2, further provides, in summary, that an individual and his spouse must file a joint Federal Tax Return to convert a traditional **IRA** to a Roth **IRA**, and that the modified adjusted gross income subject to the \$100,000 limit for a taxable year is the modified AGI derived from the joint return using the couple's combined income.

Sections **301.9100-1**, **301.9100-2**, and 301-9100-3 of the **Procedure** and Administration Regulations, in general, provide guidance concerning requests for relief submitted to the Service on or after December 31, 1997. Section **301-9100-1(c)** of the regulations provides that the Commissioner of the **Internal** Revenue Service, in his discretion, may grant a reasonable extension of the time fixed by a regulation, a revenue ruling, a revenue procedure, a notice, or an announcement published in the Internal Revenue Bulletin for the making of an election or application for relief in respect of tax under, among others, Subtitle A of the Code.

Section 301.9100-2 lists certain elections for which automatic extensions of time to file are granted. Section 301.9100-3 of the regulations generally provides guidance with respect to the granting of relief with respect to the elections not referenced in Section 30.19100-2. The relief requested in this case is not referenced in **section** 301-9100-2.

Section 301.9100-3 of the regulations provides that applications for relief that fall within section 30.19100-3 will be granted when the taxpayer provides **sufficient** evidence (including affidavits described in section **301.9100-3(e)(2)**) to establish that (1) the taxpayer acted reasonably and in good faith, and (2) granting relief would not prejudice the interests of the government.

Section 301.9100-3(b) (1) **of the** temporary regulations provides that a taxpayer will be deemed to have acted reasonably and in good faith (i) if its request for section 301.9100-1 relief is filed before the failure to make a timely election is discovered by the Service; (ii) if the taxpayer inadvertently **failed** to make the election because of intervening events beyond the taxpayer's control; (iii) if the taxpayer failed to make the election because, after exercising reasonable diligence, the taxpayer was unaware of the necessity for the election; (iv) the taxpayer reasonably relied upon the written advice of the Service; or (v) the taxpayer reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and **the** tax professional **failed** to make, or advise the taxpayer to make; the election.

Section 30.19100-3(c)(1)(ii) of the temporary regulations provides that ordinarily the interests of the government will be treated as prejudiced and that ordinarily the Service will not grant relief when tax years that would have been affected by the election had it **been** timely made are closed by the statute or limitations before the taxpayer's receipt of a **ruling** granting relief under this section.

**Announcement 99-57, 1994-24 LRB. 50 (June 14, 1999)** provided that a taxpayer who timely filed his/her 1998 Federal Income Tax return would have until October **15, 1999** to **recharacterize** an amount that had been converted from a traditional JRA to a Roth **IRA**.

Announcement 99-104, **1999-44 I.R.B. 555 (November 1, 1999)**, provided that a taxpayer who timely filed **his/her** 1998 Federal Income Tax Return would have until December **31, 1999** to **recharacterize an amount that had been converted from a traditional IRA to a Roth IRA**.

Taxpayer A timely filed his 1998 Federal **Income** Tax Return. As a result, he was eligible for relief under either Announcement 99-57 or Announcement **99-104**. However, he missed the deadlines found in said Announcements. Therefore, it is necessary to determine if he is eligible for relief under the provisions of Section 30.19100-3 of the regulations.

In this case, Taxpayer A was ineligible to convert IRA X to Roth **IRA** Y since Taxpayer A's adjusted gross income exceeded \$100,000. However, Taxpayer A believed that he was eligible to convert his **IRA X** to a Roth **IRA** until he discovered otherwise at which time the deadlines in

Announcement **99-104** had passed. Taxpayers A and B filed this request for section 30 1.9 100 relief shortly after discovering that Taxpayer A was ineligible to convert IRA X to a Roth IRA Calendar year 1998 is not a "closed" tax year.

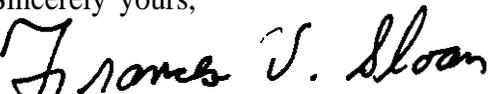
With respect to your request for relief, we believe that, based on the information submitted and the representations contained herein, the requirements of section 301.9100-1 and 301.9100-3 of the regulations have been met, and that you have acted reasonably and in good faith with respect to making the election to **recharacterize** your Roth IRA as a traditional **IRAs**. Specifically, the Service has concluded that you have met the requirements of clause (v) of section **301.9100-3(b)(1)** of the regulations. Therefore, you are granted an extension of six months **from** the date of the issuance of this letter ruling to so **recharacterize**.

No opinion is expressed as to the tax treatment of the **transaction** described herein under the provisions of any other section or either the Code or regulations which may be applicable thereto.

This letter is **directed** only to the taxpayer who requested it. Section 6100 **(j)** (3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter has been sent to your **authorized** representative in accordance with a power of attorney on file in this office.

Sincerely yours,

  
Frances v. Sloan, Manager  
Employee Plans **Technical** Group 3  
Tax Exempt and Government  
Entities Division