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August 19, 2011

Yvette B. Lawrence
Internal Revenue Service
Room 6129
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Subject: IRA Required Minimum Distribution Reporting

Dear Ms. Lawrence:

I am writing to suggest the IRS should change the rules for reporting IRA required minimum distributions. The current rules are set forth in Notice 2002-27 and the instructions for Forms 1099-R and 5498. I believe there is also some discussion of this topic in the explanation to Regulation 1.408-8.

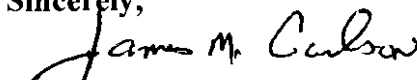
Proposed change #1. There should be a fourth requirement of the RMD notice. The recipient (IRA accountholder or inheriting beneficiary) should be informed that he or she owes the 50% tax if there is a missed RMD unless the IRS would waive this tax for good cause. Mentioning the 50% tax should increase compliance.

Proposed change #2. I suggest that the IRS change these RMD rules to require an IRA custodian to furnish a "simplified" RMD notice to an inheriting beneficiary. Current rules do not require the IRA custodian to furnish the beneficiary an RMD notice.

Many inheriting IRA beneficiaries have no idea of the tax laws applying to the funds they have just inherited. This includes the RMD rules. This includes the rule that a nonspouse beneficiary is ineligible to rollover a distribution. Some IRA custodians are not very helpful. They read Notice 2002-27 as allowing them to adopt the approach that they have minimal duties regarding inherited IRAs regardless of the IRA plan agreement form. Article IV of Model IRA plan agreement forms (Forms 5305/5305-A) and Article V of Forms 5305-R/RA mandates required distributions be made. There is nothing saying, "required distributions only need be made if the beneficiary requests them." It would be helpful if the IRS would clarify the duties to be performed by the IRA custodian and the inheriting beneficiary.

Requiring the IRA custodian to furnish a simplified RMD notice would improve tax compliance. Beneficiaries would not have as many missed RMD's. It may well be the case that beneficiaries who have missed an RMD never disclose this fact to the IRS.

Sincerely,


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President

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