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Submitted electronically via the Internet to RJoseph.Durbala@irs.gov

OMB Number: 1545-0119
Glenn P. Kirkland
Internal Revenue Service
Room 6129
1111 Constitution Avenue, NW.
Washington, DC 20224

Dear Mr. Kirkland:

Subject: Comments on Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. (OMB Number: 1545-0119)

Hewitt Associates LLC (Hewitt) appreciates the opportunity to submit our comments on Form 1099-R in response to the Internal Revenue Service's (IRS's) March 17, 2008 invitation to comment on this topic.

Who We Are

With more than 65 years of experience, Hewitt (www.hewitt.com) is a leading global provider of human resources outsourcing and consulting services. Hewitt consults with more than 3,000 companies and administers human resources, health care, payroll, and retirement programs on behalf of more than 340 companies for millions of employees and retirees worldwide. Our outsourcing services process customer interactions from nearly 20 million employees and retirees annually, making Hewitt one of the largest providers of retirement plan recordkeeping and administration services in the country.

Effective January 1, 2008, participants in employer-sponsored retirement plans have the option of rolling otherwise rollover-eligible distributions into a Roth IRA. We appreciate the IRS's timely inclusion of the reporting requirements for this new rollover option in the 2008 Forms 1099-R and 5498 and their respective Instructions. In addition to the 2008 Forms, the IRS also recently issued guidance in Notice 2008-30 ("Notice") defining some of the administrative issues relating to the new rollover option. We would like to offer the following comments for your consideration.

Reporting Requirements for Rollovers to Roth IRAs

We recommend that the IRS require the taxable amount of a rollover distribution from an eligible retirement plan into a Roth IRA to be reported by the receiving IRA (on a Form 5498, Form 1099-R, or some other mechanism) instead of on the Form 1099-R provided by the employer plan.

Notice 2008-30 provides that the taxable portion of a distribution from a 401(a)-qualified plan that is rolled into a Roth IRA is includible in gross income (Q&A-1), but the Notice does not provide guidance around the tax reporting requirements of such a rollover distribution. The new Instructions to the 2008 Form 1099-R provide that for an eligible rollover distribution to a Roth IRA, the taxable amount should be included in Box 2a of the Form 1099-R and the rollover should be reported with a Code "G" in Box 7. For the reasons detailed below, we believe that the taxable portion of a distribution rolled into a Roth IRA should be reported by the receiving IRA rather than the distributing employer plan, since the receiving IRA is in a better position to report and process this information.

Other than for purposes of populating the new Form 1099-R, there is no reason that the plan administrator of an employer plan would need to know whether or not a participant is choosing to roll money into a Roth IRA or a traditional pretax IRA. The decision to perform the “Roth conversion rollover” is one that is made completely outside of the employer plan environment. The plan administrator would not be involved in the determination as to whether or not the participant is eligible for such a rollover under section 408A(c)(3)(B) (e.g., not subject to the adjusted growth income limitation or married filing separately). Q&A-5 of the Notice specifically provides that there is no obligation on the part of the plan administrator to assess eligibility for this rollover. In many cases, the participant may not know until the end of the tax year if he or she is eligible for this rollover. As pointed out in the Notice, participants who are not eligible for the Roth conversion rollover have the ability to recharacterize the contribution under 408A(d)(6). This recharacterization would be captured on a Form 1099-R generated by the IRA provider, but we expect that this will cause participant confusion if they also receive a Form 1099-R from their employer plan indicating that the rolled over amounts were includible in gross income. In addition, there is a possibility that a participant could inadvertently (or even intentionally) misrepresent that the rollover is being made to a traditional IRA, when it is in fact being made to a Roth IRA, resulting in the avoidance of taxation. The receiving IRA is in a better position to know the ultimate characterization of the IRA and whether any taxable monies rolled over should be includible in gross income.

Requiring this information to be reported on the Form 1099-R also places an unnecessary administrative burden on the plan administrator. In many cases, the type of IRA into which the distribution is rolled may not be currently tracked by the plan administrator. The requirement in the 2008 Form 1099-R that the plan report this information would require a plan administrator to modify 1) its distribution process in order to support the solicitation and retention of information related to the characterization of the receiving IRA as a Roth IRA or a traditional IRA; 2) its processes for communicating the rollover information to the Trustee and/or reporting agent; and 3) its customer service support for participants who are concerned when their Form 1099-R reflects a taxable distribution if the Roth IRA rollover is ultimately recharacterized as an IRA rollover. This burden seems even more unnecessary for the 2008 and 2009 tax years when, due to the requirements of section 408A(c)(3)(B), it will not be known until after the money has left the employer plan whether or not these amounts are actually eligible for rollover into the Roth IRA.

For these reasons, it would be more appropriate for the receiving IRA provider to be the party responsible for reporting the characterization of the IRA and the taxable amount of a rollover distribution into a Roth IRA. The plan administrator would continue to report the fact that the amount was rolled over by using a Code “G” in Box 7, but the participant would work with the receiving IRA to determine eligibility for the Roth conversion rollover. The IRA would then report the amounts that are taxable under 408A, and whether or not the ultimate rollover destination is a Roth IRA would be made between the IRA and the participant and would be reported by the receiving IRA. Plan administrators already generally provide participants with a separate distribution summary breakdown of the taxable and nontaxable components of a distribution, so the participants would still have that information available for purposes of working with the IRA provider or completing their personal tax filing.

Note: We also plan to submit this same comment in response to IRS Notice 2008-30.

Closing

We appreciate your attention to this issue. If you have any questions about our comments or if there is any additional information that we can provide, please contact the undersigned at the telephone number or electronic mail address provided below.

Sincerely,

Hewitt Associates LLC

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