

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202039002**

Release Date: 9/25/2020

Index Number: 401.06-00, 408.06-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:EEE:EB:QP4
PLR-101580-20

Date:
June 25, 2020

Legend

- Decedent =
- Estate A =
- Personal Representative A =
- Personal Representative B =
- IRA X =
- IRA Y =
- IRA Z =
- Beneficiaries =

- Date N =
- Date O =
- County P =
- State Q =

Dear

This is in response to your letter dated December 20, 2019, submitted on your behalf by your authorized representative, in which you request rulings under § 408 of the Internal Revenue Code.

The following facts and representations have been submitted under penalties of perjury in support the of the rulings requested:

Decedent maintained two Individual Retirement Accounts (IRAs), IRA X and IRA Y. Decedent died on Date N, at age after his required beginning date, as defined in § 401(a)(9). Decedent was unmarried at the time of his death. Decedent was survived

by his son, partner, and grandson (Beneficiaries). Estate A was the sole beneficiary of IRA X and IRA Y. After Decedent's death, the assets of IRA X and IRA Y were transferred into IRA Z, which is titled as IRA of Decedent (Deceased) f/b/o Estate A. Personal Representative B and Personal Representative C are the co-personal representatives of Estate A (the personal representatives).

Decedent's Last Will and Testament, executed on Date O, was duly admitted to probate in County P, of State Q. Pursuant to Article IV of Decedent's Last Will and Testament, the Decedent's residuary, including the assets of IRA X and IRA Y, passed to the Beneficiaries in equal shares.

The personal representatives propose to subdivide the assets of IRA Z into three separate IRAs by means of trustee-to-trustee transfers. Each transferee IRA will be titled "Decedent (Deceased) IRA f/b/o Beneficiary as beneficiary of Decedent's estate."

Based on the foregoing facts and representations, you have requested the following rulings:

1. That the transfer of each of the Beneficiary's respective one-third interest in the Decedent's interest in IRA Z to each transferee IRA will not constitute a taxable distribution within the meaning of § 408(d)(1) to each of the Beneficiaries and will not constitute a rollover as that term is used in § 408(d)(3); and
2. That after the transfer of assets from IRA Z to each of the transferee IRAs, Estate A will not include in its gross income, and the custodian of the transferee IRAs will not report as income to the Estate, any amounts distributed from transferee IRAs to the Beneficiaries.

Law

Section 408(d)(1) provides that, except as otherwise provided in § 408(d), any amount paid or distributed out of an IRA shall be included in gross income by the payee or distributee, as the case may be, in the manner provided under § 72.

Section 408(d)(3)(A) provides that § 408(d)(1) does not apply to any amount paid or distributed out of an IRA to the individual for whose benefit the IRA is maintained if: (i) the entire amount received (including money and any other property) is paid into an IRA for the benefit of such individual not later than the 60th day after the day on which the individual receives the payment or distribution, or (ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan (other than an IRA) for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to § 408(d)(3)).

Section 408(d)(3)(C) provides, generally, that amounts from an “inherited” IRA cannot be rolled over into another IRA. In general, an “inherited” IRA is an IRA maintained by an individual who acquired the IRA by reason of the death of another individual if the acquiring individual is not the surviving spouse of the other individual.

Revenue Ruling 78-406, 1978-2 C.B. 157, provides that the direct transfer of funds from one IRA trustee to another IRA trustee, even if at the behest of the IRA holder, does not constitute a payment or distribution to a participant, payee or distribute, as those terms are used in § 408(d). Furthermore, such a transfer does not constitute a rollover distribution. Revenue Ruling 78-406 specifically applies in the case of a transfer by the original IRA owner from one IRA titled in the IRA owner’s name to another IRA titled in the same manner.

The rules discussed above will apply to your ruling requests as follows:

1. Consistent with the principles of Rev. Rul. 78-406, because each of the transferee IRAs is set up and maintained in the name of the deceased IRA owner for the benefit of a Beneficiary as beneficiary of Decedent’s estate, the transfer of each Beneficiary’s respective one-third interest in Estate A’s interest in IRA Z to each transferee IRA will not constitute a taxable distribution within the meaning of § 408(d)(1) to each of the Beneficiaries and does not constitute a rollover as that term is used in § 408(d)(3).
2. That after the transfer of assets from IRA Z to each of the transferee IRAs, Estate A will not include in its gross income, and the custodian of the transferee IRAs will not report as income to the Estate, any amounts distributed from the transferee IRA to a Beneficiary.

This letter assumes that IRA Z satisfies the requirements of § 408 at all relevant times. It also assumes that the transferee IRAs to be set up by the Beneficiaries will also satisfy the requirements of § 408 at all relevant times.

The rulings contained in this letter are based upon information and representations submitted by your personal representative and accompanied by a penalties of perjury statement executed by an appropriate party, as specified in Rev. Proc. 2020-1, 2020-1 I.R.B. 1, § 7.01(16)(b). This office has not verified any of the material submitted in support of the request for rulings, and such material is subject to verification on examination. The Associate office will revoke or modify a letter ruling and apply the revocation retroactively if there has been a misstatement or omission of controlling facts; the facts at the time of the transaction are materially different from the controlling facts on which the ruling was based; or, in the case of a transaction involving a continuing action or series of actions, the controlling facts change during the course of the transaction. See Rev. Proc. 2020- 1, § 11.05.

Except as expressly provided above, no opinion is expressed or implied concerning the federal income tax consequences of any other aspects of any transaction or item of income described in this letter ruling.

This letter is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Neil Sandhu
Senior Technician Reviewer
Qualified Plans Branch 1
Office of Associate Chief Counsel
(Employee Benefits, Exempt Organizations,
and Employment Taxes)

cc: