DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

200208032

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

UIL No.: 9100.00-00

NOV 26 2001

T:EP:RA:T1

Legend :

Taxpayer A.....

IRA V.....

IRA W.....

IRA X.....

IRA Y.....

Company M.....

Company N.....

Sum N.....

Sum O.....

Dear :

This is in response to a letter dated July 3, 2001, as supplemented by correspondence dated November 5, 2001, and November 7, 2001, submitted by your authorized representative, in which you request relief under section 301.9100-3 of the Procedure and Administration Regulations (the "regulations"). The following facts and representations were submitted in connection with your request.

Taxpayer A maintained two individual retirement arrangements ("IRAs") V and W described in section 408(a) of the Internal Revenue Code (the "Code"), with Company M and Company N, respectively. In 1998, Taxpayer A converted IRA V and IRA W into Roth IRAs, IRA X and IRA Y, respectively, through rollover contributions. IRA X and IRA Y are maintained with Company M and Company N, respectively. The amounts rolled over to IRA X and IRA Y were Sum N and Sum O, respectively. Taxpayer A timely filed his calendar year 1998 federal Income Tax Return. With respect to calendar year 1998, Taxpayer A's modified adjusted gross income

exceeded the limit found in Code section 408A(c)(3)(B).

In April of 2001, Taxpayer A engaged a tax preparer to prepare his 1999 and 2000 federal Income Tax Returns. At this time, Taxpayer A was informed that the 1998 conversions were made in error because Taxpayer A's modified adjusted gross income for 1998 exceeded the $100,000 limit found in Code section 408A(c)(3)(B). This request for section 9100 relief was submitted prior to the Service's discovering Taxpayer A's ineligibility to convert his IRAs into Roth IRAs.

Based on your submission and the above facts and representations, you request a 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 IRAs to traditional IRAs.

With respect to your request for relief, Code section 408A(d)(6) and section 1.408A-5 of the federal Income Tax Regulations (the "I.T. 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 originally 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, Q&A-6 of the I.T. Regulations 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.

Code section 408A(c)(3) provides that an individual with an adjusted gross income (as modified within the meaning of subparagraph (c)(3)(C)) in excess of $100,000 for a taxable year is not permitted to make a qualified rollover contribution to a Roth IRA from an individual retirement plan other than a Roth IRA during that taxable year.

Section 1.408A-4, Q&A-2 of the I.T. Regulations provides 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.

Sections 301.9100-1, 301.9100-2, and 301.9100-3 of the regulations provide guidance concerning requests for relief submitted to the Service on or after December 31, 1997. Section 301.9100-1(c) provides that the Commissioner of Internal Revenue, 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 of the regulations lists certain elections for which automatic extensions of time to file are granted. Section 301.9100-3 generally provides guidance with respect to the granting of relief with respect to those elections not referenced in section 301.9100-2. 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 301.9100-3 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 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 Internal Revenue Service (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 301.9100-3(c)(1)(ii) of the 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 of limitations before the taxpayer's receipt of a ruling granting relief under this section.

In this case, Taxpayer A was not eligible to convert his IRAs to Roth IRAs since his modified adjusted gross income exceeded $100,000. Taxpayer A timely filed his 1998 federal income tax return. Therefore, it is necessary to determine whether he is eligible for relief under the provisions of section 301.9100-3 of the regulations.

Taxpayer A was not aware of his ineligibility to convert his traditional IRAs into Roth IRAs until the preparation of his 1999 and 2000 calendar year returns in year 2001. Upon realizing his mistake, Taxpayer A requested relief from the Service before the Service discovered his ineligibility to convert his traditional IRAs into Roth IRAs. The 1998 calendar taxable year is not closed under the statute of limitations. Thus, Taxpayer A satisfies the requirements of clause (i) and clause (iii) of section 301.9100-3(b)(1) of the regulations. Accordingly, you are

granted an extension of six months from the date this letter is issued to so recharacterize.

This letter assumes that the above IRAs qualify as IRAs within the meaning of Code section 408 at all relevant times.

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

Pursuant to a power of attorney on file with this office, a copy of this ruling letter is being sent to your authorized representative. Should you have any concerns regarding this ruling, please contact .

Sincerely yours,

John Swieca, Manager
Employee Plans Technical Group 1
Tax Exempt and Government Entities Division

cc:

Enclosures:
Notice 437
Deleted copy of ruling