



TaxNewsFlash

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Rev. Rul. 2018-17: Withholding, reporting of IRA payments made to state's unclaimed property funds

The IRS today released an advance version of Rev. Rul. 2018-17 that addresses the withholding and reporting requirements with respect to payments made from IRAs (individual retirement accounts) to a state's unclaimed property funds.

[Rev. Rul. 2018-17](#) [PDF 19 KB] provides that payments made by a trustee of an individual's IRA to a state's unclaimed property fund are subject to federal income tax withholding and reporting.

Summary

An individual had an interest in an IRA (a traditional IRA) but the individual failed to make a withholding election with respect to this interest in the IRA, and the applicable state law requires the IRA trustee to pay the individual's interest in the IRA to the state's unclaimed property fund under which a claim for property may be made by the owner. In 2018, the trustee paid over the individual's interest in the IRA (a value of \$1,000) to the state's unclaimed property fund.

The IRS in the revenue ruling concluded that the payment made by the trustee of the individual's interest in the IRA to the state's unclaimed property fund was subject to federal income tax withholding under section 3405 and also to reporting under section 408(i).

Rev. Rul. 2018-17 allows certain transition relief. The IRS stated that a person will not be treated as failing to comply with the withholding and reporting requirements (described in the revenue ruling) with respect to payments made before the earlier of (1) January 1, 2019, or (2) the date it becomes reasonably practicable for the person to comply with those requirements.

Notice 2018-90

The IRS on November 20, 2018, issued Notice 2018-90 to extend the transition relief to payments made before the earlier of: (1) January 1, 2020, or (2) the date it becomes reasonably practical to comply with the withholding and reporting requirements that are described in Rev. Rul. 2018-17. Read [TaxNewsFlash](#)

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