



Safe Harbors For Rollover Contributions

Insights

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Plan administrators of qualified plans are always concerned that amounts they receive as rollovers actually are eligible for rollover treatment, since accepting non-rollover funds will violate the terms of the plan. Administrators are in a quandary because they want to accommodate plan participants, but don't want to jeopardize their plan's qualified status. A recent Revenue Ruling helps by giving examples of the kind of evidence administrators can rely upon to determine that a rollover request is valid.

Takeaways from the ruling:

- In the absence of information to the contrary, it is reasonable for an administrator to determine that the sending plan is qualified if the administrator goes online to the DOL's 5500 website and determines that the sending plan reported on its 5500 that it was intended to be qualified;
- In the absence of information to the contrary, it is reasonable for an administrator to determine that received funds are eligible rollovers based on the fact that the check or electronic transfer came from a qualified plan or IRA trustee, or based on information from a check stub accompanying a direct transfer;
- Having received the above information, and in the absence of other information to the contrary, it is reasonable for an administrator to rely on a certification by the participant of his or her age or other information necessary to confirm that amounts are rollover eligible.

In the end, it's doubtful that IRS is going to heavily scrutinize rollovers unless it believes some kind of abusive behavior has occurred. Prior IRS advice stated that a distributing plan does not need a determination letter for a receiving administrator to reasonably conclude that it is qualified.

In fact, even if a plan accepts an invalid rollover, it will be treated as valid as long as the administrator reasonably concluded that it was valid, and having determined that it was invalid, distributes the invalid rollover to the employee (along with any earnings) within a reasonable time. This ruling contains useful information for plan administrators trying to stay on the right side of the "reasonable conclusion" decision.

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