



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

OFFICE OF  
CHIEF COUNSEL

March 21, 2001

Number: **INFO 2001-0097**

Release Date: 6/29/2001

UIL 9114.03-06

The Honorable Mark Udall  
Member, U.S. House of Representatives  
1333 West 120<sup>th</sup> Avenue, Suite 210  
Westminster, CO 80234

Dear Congressman Udall:

I am responding to your letter dated January 31, 2001, to The Honorable Paul H. O'Neill, Secretary of the Treasury, on behalf of your constituent, Mr. [REDACTED]. Mr. [REDACTED] wants to make a tax-free rollover of funds from his registered retirement savings plan (RRSP) in Canada to an individual retirement account (IRA) in the United States.

**U.S. tax treaties do not normally permit tax-free rollovers**

Prior to 1997, when the last protocol to the U.S.-Canada income tax treaty (Treaty) was signed, no U.S. income tax treaty included a provision that permitted a tax-free rollover from a retirement plan in one country to a retirement plan in the other country. The United States has begun to propose such provisions in its negotiations with some of its treaty partners. So far, however, only the treaty with South Africa includes such a provision.

**No information is available regarding possible amendments to the Treaty**

The United States Department of the Treasury and Canadian Department of Finance are discussing possible changes to the Treaty, but the details of the discussions are confidential. Consequently, we cannot say whether any amendments are currently being considered that would allow tax-free rollovers.

**The Treaty currently permits deferral of taxation on earnings of a RRSP**

Under Article 18(7) of the Treaty, a U.S. citizen or resident who owns a RRSP may elect to defer U.S. taxation on the earnings of the RRSP until they are distributed. Thus, an individual who moves from Canada to the United States will not be penalized for maintaining his retirement savings in a RRSP instead of an IRA. This Treaty provision may help mitigate the need for a rollover provision.

I hope this information is of assistance to you. If you have any questions, please contact me or Grace Fleeman at (202) 622-3880.

Sincerely,

Elizabeth U. Karzon  
Chief, Branch 1  
Office of the Associate Chief Counsel (International)