



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

AUG 15 2006

SE: T: EP: RA: TI

Uniform Issue List: 408.03-00

Legend:

Taxpayer A	=
IRA B	=
Roth IRA C	=
Financial Institution D	=
Amount 1	=
Amount 2	=
Amount 3	=
Amount 4	=

Dear :

This letter is in response to a request for a letter ruling dated January 24, 2006, as supplemented by additional correspondence dated June 16 and June 28, 2006, in which you request a waiver of the 60-day rollover requirement contained in section 408(d)(3) of the Internal Revenue Code ("Code").

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

Taxpayer A, age 62, represents that she received a distribution from IRA B totaling Amount 1. Taxpayer A asserts that her failure to accomplish a rollover within the 60-day period prescribed by section 408(d)(3) was due to mistakes by Financial Institution D. Taxpayer A further represents that Amount 1 has not been used for any other purpose.

Taxpayer A represents that in September she decided to change part of her investments in IRA C from certificates of deposit (CDs) to I Bonds. On September 3, a representative of Financial Institution D prepared paperwork for Taxpayer A to purchase an I Bond in Amount 2 in IRA C. The balance in IRA C, Amount 3, was to stay in IRA C. At all times Taxpayer A was led to believe that the I Bond was an investment in IRA C. Financial Institution D failed to inform Taxpayer A that IRA C could not hold I Bonds as an investment and the I Bond was titled in Taxpayer A's name outside of IRA C. At the same time, without the authorization or knowledge of Taxpayer A, Financial Institution D transferred Amount 3 into Roth IRA C. The mistakes were discovered in May, when Taxpayer A received a deficiency notice from the Internal Revenue Service ("Service") on her tax return. Financial Institution D has provided documentation acknowledging the error.

In November on behalf of Taxpayer A, Financial Institution D contacted the Bureau of Public Debt to cancel the I Bonds purchased in without penalty. In December 2005, Amount 2 was received from the Bureau of Public Debt and redeposited into IRA B. On December 29, Amount 3 was transferred from Roth IRA C to IRA B.

Based on the above facts and representations, you request that the Service waive the 60-day rollover requirement contained in Code section 408(d)(3) with respect to the distribution of Amount 1.

Section 408(d)(1) of the Code provides that, except as otherwise provided in section 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 section 72 of the Code.

Section 408(d)(3) of the Code defines, and provides the rules applicable to IRA rollovers.

Section 408(d)(3)(A) of the Code provides that section 408(d)(1) of the Code 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 section 408(d)(3)).

Section 408(d)(3)(B) of the Code provides that section 408(d)(3) does not apply to any amount described in section 408(d)(3)(A)(i) received by an individual from an IRA if at any time during the 1-year period ending on the day of such receipt such individual received any other amount described in section 408(d)(3)(A)(i) from an IRA which was not includible in gross income because of the application of section 408(d)(3).

Section 408(d)(3)(D) of the Code provides a similar 60-day rollover period for partial rollovers.

Section 408(d)(3)(I) of the Code provides that the Secretary may waive the 60-day requirement under sections 408(d)(3)(A) and 408(d)(3)(D) of the Code where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement. Only distributions that occurred after December 31, 2001, are eligible for the waiver under section 408(d)(3)(I) of the Code.

Rev. Proc. 2003-16, 2003-4 I.R.B. 359 (January 27, 2003) provides that in determining whether to grant a waiver of the 60-day rollover requirement pursuant to section 408(d)(3)(I), the Service will consider all relevant facts and circumstances, including: (1) errors committed by a financial institution; (2) inability to complete a rollover due to death, disability, hospitalization, incarceration, restrictions imposed by a foreign country or postal error, (3) the use of the amount distributed (for example, in the case of payment by check, whether the check was cashed); and (4) the time elapsed since the distribution occurred.

The information presented and the documentation submitted by Taxpayer A is consistent with her assertion that her failure to accomplish a timely rollover was caused by an error committed by Financial Institution H.

Therefore, pursuant to Code section 408(d)(3), the Service hereby waives the 60-day rollover requirement with respect to the distribution of Amount 1 from IRA C. Taxpayer A is granted a period of 60 days from the issuance of this ruling letter to contribute Amount 1 into a Rollover IRA. Provided all other requirements of section 408(d)(3), except the 60-day requirement, are met with respect to such contribution, Amount 1 will be considered a rollover contribution within the meaning of section 408(d)(3).


No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

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

A copy of this letter ruling has been sent to your authorized representative pursuant to a power of attorney on file in this office. If you wish to inquire about this ruling, please contact _____, SE:T:EP:RA:T1, I.D. # _____, at _____.

Sincerely yours,



Manager

Employee Plans Technical Group 1

Enclosures:

Deleted Copy of this Letter

Notice of Intention to Disclose, Notice 437

cc: