



## UNCLAIMED PROPERTY ALERT

### IRS extends compliance date for Rev. Rul. 2018-17 – Notice 2018-90

On November 20, 2018, the IRS issued Notice 2018-90 which provides for an extension of the transitional relief under the original Ruling. The relief is extended to “payments made before the earlier of January 1, 2020, or the date it becomes reasonably practicable to comply with the withholding and reporting requirements described in the Rev. Rul. 2018-17.”

#### **Background**

On May 29, 2018, the Internal Revenue Service published Revenue Ruling 2018-17 – Withholding and Reporting with Respect to Payments from IRAs to State Unclaimed Property Funds. The Ruling clarified funds escheated from an IRA account meet the definition of a distribution under § 3405 of the Internal Revenue Code (IRC) and therefore are subject to applicable tax withholding and reporting. It also included a compliance deadline of January 1, 2019, or the date it becomes reasonably practicable to comply.

Since that time, several industry organizations, including Georgeson, reached out to the IRS to express a variety of concerns with practical implementation and timing of the compliance date. In addition, concerns were expressed about the legal and ethical issues of liquidating securities in order to pay the required 10% withholding tax. The IRS expressed confidence that proper language in Custodial Agreements will provide the legal authority to liquidate securities in order to pay the withholding tax.

#### **What does this mean to you?**

All holders will now be required to calculate and remit the required 10% withholding tax to the IRS from funds that are escheated to the state pursuant to state unclaimed property law. Additionally, the distributed and withheld amounts will be reported to both the owner on Form 1099-R and electronically to the IRS. It is unclear at this time if the IRS plans to establish a new distribution code for funds distributed as a result of escheatment. While there are still many other practical issues with implementation of the Ruling, this Notice gives holders an additional year to continue the dialogue with the IRS and Treasury to work through those items.

Holders may want to consider mailing notifications to all IRA owners as a means of educating them on the withholding requirements should their account ever become escheatable and asking them to update their withholding elections. This would capture current contact date on the account and generally restart the dormancy clock.

The full text of the Notice can be found [here](#).

This article is intended for informational purposes and is not to be considered legal advice. For additional questions concerning this alert, contact Dana Terry at [dterry@georgeson.com](mailto:dterry@georgeson.com) or 201-539-1998.

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