



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

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CONTACT: Brookly McLaughlin
(202) 622-1996

Treasury and IRS Propose Retirement Annuity Regulations

The Treasury Department and IRS issued proposed regulations today relating to retirement annuity contracts under section 403(b), which are generally available to employees of public schools and organizations exempt from tax under section 501(c)(3), along with related temporary regulations clarifying the application of employment taxes to section 403(b) contracts.

“These regulations provide the first comprehensive guidance on section 403(b) arrangements in over 40 years,” said Gregory Jenner, Treasury's Acting Assistant Secretary for Tax Policy. “These regulations would substantially revise the existing regulations to provide guidance on the various statutory changes that have been made for section 403(b) contracts during those 40 years, answer many outstanding issues that were not previously addressed in formal guidance, and demonstrate the increasing similarity among section 403(b) arrangements and the other types of retirement plans that provide for salary deferrals (section 401(k) and governmental section 457(b) plans). These regulations take into account the many comments and discussions we have received with insurance carriers, practitioners and others over the years about the issues that need to be resolved regarding section 403(b).”

The proposed regulations would not go into effect until years beginning after 2005.

A copy of the proposed regulations and the temporary regulations is attached.