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## TO OUR CLIENTS AND FRIENDS

August 22, 2014

### **Internal Revenue Service Allows Puerto Rico ERISA Section 1022(i)(1) Plans to Participate in Group Trusts**

The IRS announced yesterday the issuance of Revenue Ruling 2014-24 (“RR 2014-24”), which, among other matters, holds that retirement plans qualified under Section 1081.01 of the Puerto Rico Internal Revenue Code of 2011, as amended, that meet the criteria in ERISA section 1022(i)(1) (“ERISA Qualified Puerto Rico Plans”) may participate in group trusts described in Revenue Ruling 81-100 (1981-1 C.B. 326)<sup>1</sup> (“RR 81-100”). This was an issue that was pending to be addressed to by the IRS and now the IRS has published this much anticipated guidance.

Under RR 81-100, qualified retirement plans and U.S. individual retirement accounts are permitted to pool their assets for investment purposes in a “group trust” that meets the requirements established in the revenue ruling. The group trust, in turn, will be exempt from federal income taxation if and to the extent the entities participating in the group trust are tax exempt.

The IRS’s holding in RR 2014-24 therefore affords ERISA Qualified Puerto Rico Plans the opportunity to diversify their investments on a tax-advantaged basis, while benefiting from the volume pricing available to much larger plans by pooling their assets with those of other stateside plans.

RR 2014-24 further extends the relief provided in paragraphs 2, 3, and 4(b) under the Transition Relief heading in Rev. Rul. 2008-40 to transfers from a qualified retirement plan that participated in an 81-100 group trust on January 10, 2011 to a transferee ERISA Qualified Puerto Rico Plan, if the transfer occurs before January 1, 2016.

RR 2014-24 also provides that a “separate account” maintained by an insurance company may invest in an 81-100 group trust without affecting the tax status of either the group trust or the plans participating in the group trust if several circumstances are met.



If you have any questions or comments, or would like additional information about this matter, please call any of our tax attorneys:

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