

Part IV. Items of General Interest

Guidance Issued for Computation of Additional Funding Requirements under § 412(l) of the Internal Revenue Code

Announcement 96-18

The Internal Revenue Service has issued Rev. Rul. 96-20 and Rev. Rul. 96-21, to provide guidance on the additional funding requirements under § 412(l) of the Internal Revenue Code, as amended by the Retirement Protection Act of 1994 (RPA '94). Section 412(l) provides additional funding requirements for certain underfunded defined benefit plans that have more than 100 participants and that are not multiemployer plans.

Rev. Rul. 96-20 provides guidance on the requirements for the establishment and maintenance of certain amortization bases under § 412(l). The guidance is needed, in part, because the amortization base for additional unfunded old liability is scheduled to be established for the 1995 plan year. If the optional rule under § 412(l)(3)(E) is used to determine the additional unfunded old liability, an employer must make an election which is reported on a timely filed 1995 Form 5500 (see line 20a on Form 5500).

Rev. Rul. 96-21 provides guidance for employers who desire to make elections in certain years under § 412(l)(11) to phase in the increase in the additional funding requirement under RPA '94. Elections under § 412(l)(11) are made on line 20b of the 1995 Form 5500.

Recently, the Service released the 1995 Forms 5500 and accompanying instructions, including the 1995 Schedule B (Actuarial Information). Instructions for several lines on the Schedule B were reserved pending published guidance. The guidance in Rev. Rul. 96-21 is used to complete line 14 of the 1995 Schedule B. The "target amount" computed under Q&A-5 of Rev. Rul. 96-21 is entered on line 14d of the 1995 Schedule B.

The amount in line 12o of the 1995 Schedule B (the contributions needed to increase the funded current liability percentage of the plan to 100 percent under § 412(l)(1)) is calculated in the same manner as the "target amount", except that 100 percent is substituted

for the "target percentage" (as defined in Q&A-6 of Rev. Rul. 96-21).

Guidance relating to the calculations of the amounts reported on lines 91(1), 91(2), and 91(3) of the 1995 Schedule B is expected to be provided in separate published guidance that is not anticipated to apply to plan years beginning in 1995.

COMMENTS REQUESTED

Public comments may be submitted concerning issues arising under § 412(l), including issues related to the topics addressed in these revenue rulings. Comments should be sent to the following address:

Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224
Attn: CP:E:EP

DRAFTING INFORMATION

The principal author of this announcement is Martin L. Pippins of the Employee Plans Division. For further information regarding this announcement, please contact the Employee Plans Division's taxpayer assistance telephone service between 2:30 p.m. and 4:00 p.m. Eastern Time, Monday through Thursday on (202) 622-6076 (Actuarial Hotline) (not a toll-free telephone number). Mr. Pippins' telephone number is (202) 622-6261 (also not a toll-free number).