Qualified Employer Retirement Plans and Deemed Individual Retirement Arrangements

by John Buckley

Originally Posted: February 26, 2003

Current tax law allows workers to be covered by an employer retirement plan and also establish their own Individual Retirement Arrangement (IRA). Workers having both of these retirement arrangements are subject to various restrictions. For example, those covered by an employer plan who exceed certain income levels cannot deduct their IRA contributions from their income for tax purposes. The interrelationship between these different retirement arrangements has recently changed.

The Internal Revenue Service announced, "For plan years beginning after 2002, [establishments with] a qualified employer plan (retirement plan) can maintain a separate account or annuity under the plan (a deemed IRA) to receive voluntary employee contributions. If the separate account or annuity otherwise meets the requirements of an IRA, it will only be subject to IRA rules. An employee’s account can be treated as a traditional IRA or a Roth IRA."

"For this purpose, a qualified employer plan’ includes:

- A qualified pension, profit-sharing, or stock bonus plan (section 401(a) plan),
- A qualified employee annuity plan (section 403(a) plan),
- A tax-sheltered annuity plan (section 403(b) plan), and
- A deferred compensation plan (section 457(b) plan) maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state."

Source: "Important Changes for 2003," in *Individual Retirement Arrangements (IRAs)*, Publication 590 (Internal Revenue Service), p. 4.

U.S. Bureau of Labor Statistics | Division of Information and Marketing Services, PSB Suite 2850, 2 Massachusetts Avenue, NE Washington, DC 20212-0001 | www.bls.gov/OPUB | Telephone: 1-202-691-5200 | Contact Us