

# **Revenue Procedure 91-18**

Safe harbor for individual retirement accounts

## **Section 1. PURPOSE**

The purpose of this revenue procedure is to provide guidance regarding the definition of “compensation” which is used to determine if an individual qualifies to make contributions to an Individual Retirement Account (IRA).

## **Sec. 2 BACKGROUND**

Section 219(f) of the Internal Revenue Code, and section 1.219-1 of the Income Tax Regulations define compensation for purposes of contributing to an IRA. In general, contributions to an IRA are based on “compensation” that is includible in gross income for services actually rendered, and that is not deferred compensation.

The Service has been asked to clarify whether certain types of income can be used as compensation for IRA purposes. These include (1) disability pay, (2) unemployment compensation, (3) accrued annual leave, (4) sick leave, (5) an incentive award, and (6) termination pay.

## **Sec. 3 SCOPE OF APPLICATION**

As a matter of administrative convenience, the Service will treat as a “safe harbor” the amount properly shown in box 10 (Wages, tips, other compensation), less any amount properly shown in box 14 (nonqualified plans), on Form W-2, Wage and Tax Statement for 1990 (box 16 for 1991) (or similar designation in future years). Accordingly, this amount can be used in calculating an individual’s compensation for purposes of determining his or her deductible and nondeductible, as is appropriate, contribution to an IRA.