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## Nonbank Trustees and Custodians for Education Individual Retirement Accounts

### Notice 97-57

#### (1) Purpose

This notice informs entities already approved to serve as nonbank trustees and custodians of individual retirement accounts (IRAs) that they are also approved to serve as nonbank trustees and custodians of Education IRAs and provides guidance on the procedures for being approved to be a nonbank trustee or custodian of an Education IRA.

#### (2) Education IRAs

Section 530 of the Internal Revenue Code, added by section 213 of the Taxpayer Relief Act of 1997, Pub. L. 105-34, provides a new type of tax-free savings vehicle for higher education expenses, called an Education Individual Retirement Account (Education IRA). A total amount of \$500 per year may be contributed to Education IRAs for any beneficiary under the age of 18 years. To contribute the maximum of \$500 for a beneficiary, a contributor must have adjusted gross income for the year not ex-

ceeding \$95,000 (\$150,000 for joint returns). The \$500 maximum permitted contribution is phased out for contributors with adjusted gross income between \$95,000 and \$110,000 (\$150,000 and \$160,000 for joint returns). Education IRAs may be established in taxable years beginning after 1997.

#### (3) Approval of nonbank trustees and custodians

Under section 530 of the Code, the trustee or custodian of an Education IRA must be a bank (as defined in section 408(n) of the Code) or another person approved by the Internal Revenue Service. Section 1.408-2(e) of the Income Tax Regulations sets forth the rules which an entity must meet to be approved by the Service as a nonbank trustee or custodian of an individual retirement account (IRA). Pursuant to this notice, any entity already approved by the Service to be a nonbank trustee or custodian of an IRA is automatically approved by the Service to be a nonbank trustee or custodian of an Education IRA. In addition, entities other than banks or previously approved nonbank IRA trustees or custodians may request approval to be a trustee or custodian of an Education IRA in accordance with the procedures set forth in section 1.408-2(e) and section 3.10 of Rev. Proc. 97-4, 1997-1 I.R.B. 97, dated January 6, 1997.

#### (4) Drafting information

The principal author of this notice is William Gibbs of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations). For further information concerning who may be a

nonbank trustee for Education IRAs, contact Mr. Gibbs at (202) 622-6030 (not a toll-free call).

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