

## Part IV.--- Items of General Interest

### **Election to Make Alternative Funding Schedule Contributions**

#### Announcement 2006-xx

This announcement sets forth the procedures for electing an alternative funding schedule for contributions as described in section 402(a)(1) of the Pension Protection Act of 2006 (PPA), Pub. L. No. 109-280.

#### **I. Background**

Section 402(a) of the PPA permits the election of an alternative funding schedule for an eligible plan. The election for an alternative funding schedule may be made either for the plan year beginning in 2006 or in 2007 and applies for that plan year and subsequent plan years unless revoked with the consent of the Service. The election can be made not later than December 31, 2006, in the case of an election for a plan year beginning in 2006 or not later than December 31, 2007, in the case of a plan year beginning in 2007.

An eligible plan is a defined benefit plan (other than a multiemployer plan) that is sponsored by an employer which is (1) a commercial passenger airline, or (2) an entity whose principal business is providing catering services to a commercial passenger airline.

If an election is made to have an alternative funding schedule apply to an eligible plan for a plan year beginning before January 1, 2008, and certain other requirements of section 402 are satisfied, then the plan will not have an accumulated funding deficiency for purposes of section 302 of the Employee Retirement Income Security Act of 1974 (ERISA) and §§ 412 and 4971 of the Internal Revenue Code (Code) if the contributions for the plan year are not less than the minimum required contribution determined under section 402(e) of the PPA. In general, under section 402(e) of the PPA a plan's minimum required contribution is a 17-plan year amortization of the plan's unfunded liability. In determining the minimum required contribution and amortization amount the provisions of section 302(c)(3) of ERISA and § 412(c)(3) of the Code, as in effect on August 16, 2006, will apply; an interest rate of 8.85 percent will be used for all calculations; and the value of plan assets must equal their fair market value.

This election is made by filling in the material in section II and sending it to the address set forth.

**II. Election of Alternative Funding Schedule Contributions**

A. As an officer of the employer maintaining the plan, I hereby elect alternative funding schedule contributions under section 402(a)(1) of PPA and include the following information:

1. The employer is:

\_\_\_\_\_ (a) a commercial passenger airline, or

\_\_\_\_\_ (b) an entity whose principal business is providing catering services to a commercial passenger airline.

2. The name and EIN of the employer: \_\_\_\_\_

3. The name and plan number of the plan: \_\_\_\_\_

4. The plan year to which the election relates: \_\_\_\_\_

5. Specify the plan year beginning in 2006 or 2007 for which the alternative funding schedule contributions are to commence: \_\_\_\_\_

6. If any of the information in items 2 or 3 was different from the name of the employer or the plan, etc., than in the plan year for which the election is being made, enter the plan name, plan number, and name and EIN of the employer for the 2006 or 2007 plan year:

\_\_\_\_\_

\_\_\_\_\_

7. If the plan year is being changed specify both the old and new plan years:

\_\_\_\_\_

Signature of employer \_\_\_\_\_ Date \_\_\_\_\_

The election must be signed by an officer of the employer maintaining the plan. An authorized representative of the employer, plan administrator, or enrolled actuary may not sign this election on behalf of the employer.

B. This election must be filed at the following address:

Internal Revenue Service  
Commissioner, Tax Exempt and Government Entities Division  
Attention: SE:T:EP:RA:T  
Alternative Funding Schedule Election  
P.O. Box 27063  
McPherson Station  
Washington, D.C. 20038

### **III. Paperwork Reduction Act**

The collection of information contained in this announcement has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-\_\_\_\_.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

The collection of information in this announcement is in section II. This information is required to enable the Commissioner, Tax Exempt and Government Entities Division of the Internal Revenue Service to monitor and make valid determinations with respect to employers that elect an alternative funding schedule election for certain plans. As a result of such elections, an employer's alternative funding schedule for certain plans will be based on amounts specified under section 402(a) of PPA. Such an election may cause the excise tax for failure to meet the minimum funding standards not to be incurred. The likely respondents are businesses or other for-profit institutions.

The estimated total annual reporting and/or recordkeeping burden is 100 hours.

The estimated annual burden per respondent/recordkeeper varies from 4 to 6 hours, depending on individual circumstances, with an estimated average of 5 hours. The estimated number of respondents and/or recordkeepers is 20.

The estimated frequency of responses is occasional.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally tax returns and tax return information are confidential, as required by 26 U.S.C. § 6103.