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# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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November 19, 2014

The Honorable Gene L. Dodaro  
Comptroller General of the United States  
United States Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Dodaro:

The large and growing balances accumulated in individual retirement arrangements (IRAs) can be a tempting target for promoters marketing self-directed IRAs. While investment of any IRA is the owner's choice, most custodians limit IRA assets to publicly traded securities, mutual funds, and certificates of deposit. Self-directed IRAs typically involve alternative assets, such as real estate or nonpublicly traded securities. Some promoters advertise "checkbook control" allowing an IRA owner to directly manage his or her IRA investments with the role of the IRA custodian limited to annual tax reporting to the Internal Revenue Service (IRS). IRA owners may not understand the greater compliance risks and responsibilities that they take on when investing in alternative assets and directly controlling IRA funds. Moreover, some promoters have exploited self-directed IRA schemes to defraud investors of millions of dollars.

Given the risk to individuals' retirement savings, and the potential for IRA owners to be lured into investments or transactions that may run afoul of prohibited transactions rules and tax requirements, I request that GAO undertake a review of self-directed IRAs. The review should address the following questions:

1. What is known about the number and assets of self-directed IRAs and the numbers and types of custodians offering self-directed IRAs?
2. What risks and challenges does a taxpayer face in investing a self-directed IRA with "checkbook control"?
3. What are the roles and responsibilities of the Department of Labor, the IRS and other federal and state regulators in overseeing self-directed IRAs and their custodians and combating abusive IRA schemes?
4. What exemptions, if any, has DOL provided for prohibited transactions involving IRAs? What is known about the extent to which IRA owners may be entering into prohibited transactions, failing to comply with the requirement to pay unrelated business income tax, or violating section 408(m) of the Internal Revenue Code (Code) by investing in collectibles?

As part of this review, I also ask that you identify any suggestions for legislative or regulatory fixes.

With respect to this review, I authorize GAO under Code section 6103(f)(4)(A) to conduct the necessary work and report to the Finance Committee. I expect that your representatives will have access to all relevant IRS files, records, and tax returns for these purposes and comply with all of the restrictions that protect taxpayer information.

As GAO carries out its work, the Committee would appreciate periodic briefings on the progress of the engagement. For that purpose, GAO should work with Kara Getz, Senior Tax Counsel ([kara\\_getz@finance.senate.gov](mailto:kara_getz@finance.senate.gov)) of my staff.

Sincerely,



Ron Wyden  
Chairman