Other aspects of the tax treatment of qualified plans and IRAs apply equally to married and unmarried participants. First, unrealized appreciation in employer securities held in a qualified plan does not receive a step-up in basis upon the death of the participant.[428] IRAs, secondly, can hold many types of assets, but they cannot invest in life insurance contracts[429] or collectibles.[430] Finally, an IRA is subject to the tax on unrelated business taxable income under §511.[431]

[428] *See* §402(e)(4)(D)(ii).

[429] §408(a)(3). If a qualified plan that holds life insurance is rolled over to an IRA, then an irrevocable life insurance trust may be able to purchase the policy from the qualified plan and avoid both the transfer-for-value rule in §101(a)(2) and the three-year rule in §2035. See the discussion of irrevocable life insurance trusts at V, D.

[430] §408(m).

[431] §408(e)(1). The tax is imposed on income the IRA earns in a regularly carried on trade or business that is not related to its exempt purpose. It would appear that any trade or business regularly carried on by the IRA would be unrelated to its exempt purpose. However, certain types of passive income -- e.g., dividend, interest, royalties, and certain rents -- are excluded from unrelated taxable business income under §512(b) and may be received by IRAs tax-free.