

IRS Postpones New Rollover Rule to January 1, 2015

The IRS has announced it will follow the Tax Court's interpretation of the one per year rollover rule as set forth in *A.L. Bobrow and E.S. Bobrow v. Commissioner of Internal Revenue*, T.C. Memo 2014-21.

The new rule is that a person is allowed to only rollover one distribution from an IRA within a 12-month period. A person who exceeds this limit will have adverse tax consequences as the second or later distribution would be taxable and would constitute an excess contribution if it was re-contributed to another IRA.

In 1981 the IRS adopted a proposed regulation which set forth the rule that the one-per-year rollover limitation applies on a per IRA plan agreement basis. Thus, person with three IRAs at three different IRA custodians was permitted to take a distribution from each and then roll each distribution over with-in a twelve-month period.

In order to give IRA accountholders and IRA custodians time to make administrative changes, the IRS has delayed implementation of the new rule until January 1, 2015. IRA custodians and trustees will need to modify rollover certification forms and IRA plan agreement forms and to inform IRA accountholders of the new rule.

The delay of the deadline means a person who has multiple IRA plan agreements may be able to take a distribution from a separate IRA prior to January 1, 2015, and roll over such distribution as long as the person complies with the rules as presently set forth in the 2013 IRS Publication 590 (*Individual Retirement Arrangements*).

This new rollover rule does not limit or change in any way the number of permissible IRA transfers.

And the one-year rollover rule only applies to IRA distributions, this rule has never applied to distributions from 401(k) and other employer sponsored retirement plans.

It is possible the IRS may extend the deadline to a date in 2015 later than January 1, 2015, but one should not count on this.

If the IRS does Not extend this dead-line, an IRA custodian will want to inform its existing IRA accountholder of the new rollover rule and that it applies to distributions occurring on or after January 1, 2015. Some institutions may find it cost effective to inform IRA accountholders of this new rule in May via an amendment or a brochure when it furnishes the 2013 Form 5498.