

This article is being written since it appears that some financial institutions did not furnish an IRA FMV statement by January 31, 2014. They did furnish the 1099-R forms and RMD notices, but not the FMV statements. These institutions have come to believe that it is no longer necessary to furnish a separate FMV statement in January because this information is furnished when the 2013 Form 5498 is furnished in May. Actually, June 2 since May 31 is a Saturday this year. Some institutions believe this because that is what their large data processor is telling them.

Both the institution and the data processor may learn an IRS reporting lesson the hard way. The IRS may assess a fine of \$50 per IRA for each FMV statement furnished late or not at all. For example, if an institution failed to furnish its 800 IRA accountholders the FMV statement by January 31, 2014, then the IRS may assess a fine of \$40,000.

The IRS will look to collect the penalty from your institution and you will need to find out if the data processor will agree to pay some or all of the penalty. Hopefully, individuals and tax preparers do not report an institution to the IRS for failing to furnish the FMV statement by January 31, 2014.

If your financial institution did not mail the FMV statements to your IRA accountholders and inheriting beneficiaries by January 31, 2014, you want to do so as soon as possible in order to limit the potential fine.

The IRS instructions for completing the 2013 Form 1099-R and Form 5498 also set forth the rules for furnishing the 2013 FMV statements and the 2014 RMD notices. See the highlighted portions of pages 20 and 21. The rule is, "By January 31, 2014, you (*the custodian*) must provide participants with a statement of the December 31, 2013, value of the participant's account, and RMD, if applicable."

There is a separate and distinct rule for furnishing the 2013 Form 5498. *You (the custodian)* must furnish the Form 5498 to the participant and file a copy with the IRS by June 2, 2014.

The fact that the Form 5498 is furnished between April 16 and June 2 does not relieve the IRA custodian of furnishing the FMV statement by January 31, 2014. Why must the IRA custodian furnish the statement by January 31, 2014?

The IRS has a good tax reason. The problem is, the IRS has never furnished an easy to understand explanation. If an individual must file Form 8606 (*Non-deductible IRAs*), he or she (*or the accountant*) must use the FMV statement (s) to prepare Section I of the Form 8606. Remember, that a person who has multiple IRAs, including traditional, SEP and SIMPLE, must aggregate the information from all such IRAs for various contribution and distribution purposes. It does not matter that most IRA accountholders have never made a non-deductible contribution. Such information may also be important for certain Roth IRA distributions.

A financial institution must furnish all required IRS reporting forms. Sometimes a data processor may think it is doing the financial institution a favor and it is saving the institution money by not preparing a certain form or statement. That will be the case only if the data processor understands the applicable IRS rules for IRAs. The financial institution wants to make sure that when a data processor informs you that furnishing a

It Was Mandatory to Furnish FMV IRA Statements by January 31, 2014

form or statement is no longer required that the data processor is correct. Some times the data processor is incorrect.