



THE Pension Digest

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The 2004 Form 5498, Instructions to the Participant and the Custodian

2004		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED	
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) \$	OMB No. 1545-0747 2004 Form 5498
		2 Rollover contributions \$	IRA Contribution Information
TRUSTEE'S or ISSUER'S Federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount \$	
PARTICIPANT'S name		4 Recharacterized contributions \$	
Street address (including apt. no.)		5 Fair market value of account \$	
City, state, and ZIP code		6 Life insurance cost included in box 1 \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.
Account number (optional)		7 IRA SEP SIMPLE Roth IRA <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
		8 SEP contributions \$	
		9 SIMPLE contributions \$	
		10 Roth IRA contributions \$	11 Check if RMD for 2005 <input type="checkbox"/>

Form 5498 Cat. No. 50010C Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

What's New with the 2004 Form 5498?

Except for the obvious changes of revising the form to discuss the rules and deadlines for 2004 rather than for 2003, not much is new. For example, the contribution deadline for traditional IRA or Roth IRA contribution will be April 15, 2004. The deadline to file the Form 5498 will be May 31, 2005, rather than May 31, 2004. The contribution deadlines for rollovers, conversions, and recharacterizations will be December 31, 2004 rather than December 31, 2003.

The IRS did make the following additional changes.

The IRS chose to use the term IRA “participant” rather than IRA “owner” in the instructions. This was a desired change, since an individual does not technically “own” his or her IRA. The IRA custodian/trustee owns the account on behalf of the individual.

The IRS corrected its discussion in Box 11 by stating that the box is to be checked if the participant must take a required distribution (RMD) “for” 2005. The 2003 form had used “in” and this was wrong.

The IRS also revised its instructions to make clear that Box 11 must be completed, if applicable, even if the IRA participant had not made a reportable contribution. The 2003 instructions had been written to state that only Boxes 5 (FMV) and 7 (type of IRA) needed to be completed if the IRA participant had not made a contribution. Obviously, this was incorrect and has now been corrected.

The IRS also deleted two unneeded sentences with respect to distributions. There were two sentences informing the custodian that distributions are to be reported on the Form 1009-R using the applicable distribution code. The IRS concluded there was no need to have these sentences in the 5498 instructions.

CWF's Suggestions and Observations— Completing the 2004 Form 5498

1. The IRS makes clear in the instructions that a separate Form 5498 must be filed for each separate IRA plan agreement. If there are three CDs held under one plan agreement, then only one Form 5498 needs to be prepared. If a person has a regular IRA and a conduit IRA, then the IRA custodian will need

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Continued from page 1**

to prepare two separate Form 5498s. You will want to point this out to your software vendor or to your internal programmers, since many IRA software programs aggregate all information related to the same Social Security Number onto one Form 5498. This is not permissible.

2. With respect to inherited IRAs, the IRS makes the statement that “an IRA holder must be able to identify the source of each IRA he or she holds for purposes of figuring the taxation of a distribution from an IRA.”

Observation: This is a very important statement. The IRS is saying that an IRA custodian must prepare a separate Form 5498 for each IRA plan agreement a person owns, either in his own right or as a beneficiary. For example, if a person has a regular IRA, has inherited an IRA from her father, another from her mother, and one from her grandmother, then the IRA custodian will need to prepare four separate Form 5498s. Your institution will have compliance problems if your computer system would locate all accounts associated with the same Social Security Number and then aggregate the information onto one form.

3. The IRA custodian must report the receipt of a direct rollover in Box 2 – “Rollover IRA Contributions.” Note that the IRS does not distinguish between rollovers and direct rollovers on the Form 5498.

4. The IRA custodian need not furnish the IRA owner (or a beneficiary of an inherited IRA) a 2004 Form 5498 if it furnishes a statement of the fair market value to this person by January 31, 2005, and if no contributions were made to the IRA for 2004. The IRS makes it very clear that this January statement must contain a legend designating which information is being furnished to the IRS. For example, the 12-31-04 Fair Market information is being sent to the IRS.

In addition, if this statement is with respect to an inherited IRA, and the IRA custodian has chosen to use the alternative method (i.e. not report in Box 5 the fair market value as of the date of death), there must be a legend or notice informing the executor or administrator of the decedent's estate of his or her right to request a date-of-death valuation. If you use either the language for Box 5 on the back of the official copy B, or you use the official copy B, you will have met this notice requirement.

5. Until a spouse beneficiary elects to treat a deceased spouse's IRA as his or her own, the IRA custodian is to treat the IRA in the same way it treats an inherited IRA of a nonspouse beneficiary (i.e. Brian Young as IRA beneficiary of Joan Smith).

6. All traditional IRA contributions must be reported in Box 1. If the IRA owner made an excess contribution and withdrew it, the excess amount is still reported. You are never to “net” an excess contribution.

7. If an IRA owner intentionally or unintentionally elects to leave an excess contribution within an IRA and use it as a contribution for a subsequent year, the IRA custodian is not to

report this “carryover” on the Form 5498 for the subsequent year. The IRS has adopted the position that the contribution has already been reported and should not be reported a second time.

8. With respect to reporting rollovers of property in Box 2, the instructions very clearly state that the IRA custodian is to enter the fair market value of the property as of the date it is received, even though this value may be different from the value of the property on the date it was distributed (i.e. as it was reported on the Form 1099-R).

9. SEP and SIMPLE IRA contributions are reported on a calendar-year basis.

Instructions to Participant
(taken from the reverse side of Form 5498)

The IRA participant will use these instructions in the preparation of his or her 2004 Federal Income Tax Return.

The information on Form 5498 is submitted to the Internal Revenue Service by the trustee or issuer of your individual retirement arrangement (IRA) to report contributions, including any catch-up contributions, and the fair market value of the account. For information about IRAs, see **Pub. 590**, Individual Retirement Arrangements (IRAs), and **Pub. 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

Box 1. Shows traditional IRA contributions for 2004 you made in 2004 and through April 15, 2005. These contributions may be deductible on your Form 1040 or 1040A. However, if you or your spouse was an active participant in an employer's pension plan, these contributions may not be deductible. This box does not include amounts in boxes 2–4 and 8–10.

Box 2. Shows any rollover, including a direct rollover to a traditional IRA, you made in 2004. It does not show any amounts you converted from your traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA. They are shown in box 3. See the Form 1040 or 1040A instructions for information on how to report rollovers. If you have ever made any nondeductible contributions to your traditional IRA or SEP IRA and you did not roll over the total distribution, use **Form 8606**, Nondeductible IRAs, to figure the taxable amount. If property was rolled over, see Pub. 590.

Box 3. Shows the amount converted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in 2004. Use Form 8606 to figure the taxable amount.

Box 4. Shows amounts recharacterized from transferring any part of the contribution (plus earnings) from one type of IRA to another. See Pub. 590.

Box 5. Shows the fair market value of your account at year end. However, if a decedent's name is shown, the amount reported may be the FMV on the date of death. If the FMV shown is zero

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for a decedent, the executor or administrator of the estate may request a date-of-death value from the financial institution.

Box 6. For endowment contracts only, shows the amount allocable to the cost of life insurance. Subtract this amount from your allowable IRA contribution included in box 1 to compute your IRA deduction.

Box 7. May show the kind of IRA reported on this Form 5498.

Box 8. Shows SEP contributions made in 2004, including contributions made in 2004 for 2003, but not including contributions made in 2005 for 2004. If made by your employer, do not deduct on your income tax return. If you made the contributions as a self-employed person (or partner), they may be deductible. See Pub. 560.

Box 9. Shows SIMPLE contributions made in 2004. If made by your employer, **do not** deduct on your income tax return. If you made the contributions as a self-employed person (or partner), they may be deductible. See Pub. 560.

Box 10. Shows Roth IRA contributions you made in 2004 and through April 15, 2005. **Do not** deduct on your income tax return.

Box 11. If the box is checked, you must take a required minimum distribution (RMD) for 2005. An RMD may be required even if the box is not checked. The amount, or offer to compute the amount, and date of the RMD will be furnished to you by January 31 either on Form 5498 (in the blank box to the left of box 10) or in a separate statement. If you don't take the RMD for 2005, you are subject to a 50% excise tax on the amount not distributed. See Pub. 590 for details.

Instructions for Trustees and Issuers

(taken from the reverse side of Form 5498)

We now provide general and specific form instructions as separate products. The products you should use for 2004 are the **General Instructions for Forms 1099, 1098, 5498, and W-2G** and the **2004 Instructions for Forms 1099-R and 5498**. To order these instructions and additional forms, call 1-800-TAX-FORM (1-800-829-3676).

Caution: *Because paper forms are scanned during processing, you cannot file with the IRS Forms 1096, 1098, 1099, or 5498 that you print from the IRS website.*

Due dates. Furnish Copy B of this form to the participant by May 31, 2005, but furnish fair market value information and RMD if applicable by January 31, 2005.

File Copy A of this form with the IRS by May 31, 2005.

The 2004 IRS Instructions To the IRA Custodian for Form 5498

Set forth below is a re-printing of pages R-11 to R-13 of the 2004 IRS Instructions for Forms 1099-R and 5498. An IRA custodian needs to comply with these IRS instructions for preparing its 5498 forms.

File Form 5498, IRA Contribution Information, with the IRS by May 31, 2005, for each person for whom in 2004 you maintained any individual retirement arrangement (IRA), including a deemed IRA under section 408(q).

An IRA includes all investments under one IRA plan. It is not necessary to file a Form 5498 for each investment under one plan. For example, if a participant has three certificates of deposit (CDs) under one IRA plan, only one Form 5498 is required for all contributions and the fair market values (FMVs) of the CDs under the plan. However, if an individual has established more than one IRA plan with the same trustee, a separate Form 5498 must be filed for each plan.

Contributions. You must report contributions to any IRA on Form 5498. See the instructions under boxes 1, 2, 3, 4, 8, 9, and 10 on page R-13. If no reportable contributions were made for 2004, complete only boxes 5 and 7, and box 11, if applicable.

Report contributions to a spousal IRA under section 219(c) on a separate Form 5498 using the name and taxpayer identification number (TIN) of the spouse.

For contributions made between January 1 and April 15, 2005, trustees and issuers should obtain the participant's designation of the year for which the contributions are made.

Direct rollovers, transfers, and recharacterizations. You must report the receipt of a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an IRA. Report a direct rollover in box 2. For information on direct rollovers of eligible rollover distributions, see Direct Rollovers on page R-2.

If a rollover or trustee-to-trustee transfer is made from a SIMPLE IRA to an IRA that is not a SIMPLE IRA and the trustee has adequately substantiated information that the participant has not satisfied the 2-year period specified in section 72(t)(6), report the amount as a regular contribution in box 1 even if the amount exceeds \$3,000 (\$3,500 for individuals 50 or older).

Transfers. Do not report on Form 5498 a direct trustee-to-trustee transfer from (a) a traditional IRA to another traditional IRA or to a SEP IRA, (b) a SIMPLE IRA to another SIMPLE IRA, (c) a SEP IRA to another SEP IRA or to a traditional IRA, or (d) a Roth IRA to a Roth IRA. For reporting purposes, contributions and rollovers do not include these transfers.

Recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The contribution is treated as made to the second IRA (recharacterization). A recharacterization may be made with the same trustee or with another trustee. The trustee of the first IRA must report the amount contributed before the

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recharacterization as a contribution on Form 5498 (and the recharacterization as a distribution on Form 1099-R). The trustee of the second IRA must report the amount received (FMV) in box 4 on Form 5498 and check the type of IRA box in box 7.

All recharacterized contributions received by an IRA in the same year must be totaled and reported on one Form 5498 in box 4. You may report the FMV of the account on the same Form 5498 you use to report a recharacterization of an IRA contribution and any other contributions made to the IRA for the year.

Catch-up contributions. Participants, who are age 50 or older by the end of the year, may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of \$3,000 is increased to \$3,500 for participants age 50 or older. Catch-up elective deferral contributions reported on Form 5498 may be under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. For 2004, up to \$3,000 in catch-up elective deferral contributions may be made under a SARSEP, and up to \$1,500 to a SIMPLE IRA plan. For more information on catch-up elective deferral contributions, see Proposed Regulations section 1.414(v)-1.

Include any catch-up amounts when reporting contributions for the year in boxes 1, 8, 9, or 10.

Roth IRA conversions. You must report the receipt of a conversion from an IRA to a Roth IRA even if the conversion is with the same trustee. Report the total amount converted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 3. Also report a reconversion to a Roth IRA after a recharacterization in box 3.

IRA revocation. If a traditional IRA, Roth IRA, or SIMPLE IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(ii)), Form 5498 must be filed to report any regular, rollover, IRA conversion, SEP-IRA, or SIMPLE-IRA contributions to a revoked IRA. For information about reporting a distribution from a revoked IRA, see IRA Revocation on page R-2.

Total distribution, no contributions. Generally, if a total distribution was made from an account during the year and no contributions, including rollovers, recharacterizations, or Roth IRA conversion amounts, were made for that year, you need not file Form 5498 nor furnish the annual statement to reflect that the FMV on December 31 was zero.

Required minimum distributions (RMDs). An IRA (other than a Roth IRA) owner/participant must begin taking distributions for each calendar year beginning with the calendar year in which the owner attains age 70½. The distribution for the 70½ year must be made no later than April 1 of the following calendar year; RMDs for any other year must be made no later than December 31 of the year.

For each IRA you held as of December 31 of the prior year, if an RMD is required for the year, you must provide a statement

to the IRA owner by January 31 regarding the RMD using one of two alternative methods described below. You are not required to use the same method for all IRA participants; you can use Alternative One for some IRA participants and Alternative Two for the rest. Under both methods, the statement must inform the participant that you are reporting to the IRS that an RMD is required for the year. The statement can be provided in conjunction with the statement of the FMV.

If the IRA participant is deceased, and the surviving spouse is the sole beneficiary, special rules apply for RMD reporting. If the surviving spouse elects to treat the IRA as the spouse's own, then report with the surviving spouse as the participant. However, if the surviving spouse does not elect to treat the IRA as the spouse's own, then you may continue to treat the surviving spouse as a beneficiary. Until further guidance is issued, no reporting is required for IRAs of deceased participants (except where the surviving spouse elects to treat the IRA as the spouse's own, as described above).

Alternative one. Under this method, include in the statement the amount of the RMD with respect to the IRA for the calendar year and the date by which the distribution must be made. The amount may be calculated assuming the sole beneficiary of the IRA is not a spouse more than 10 years younger than the owner. Use the value of the account as of December 31 of the prior year to compute the amount. See Box 11 on page R-13 for how to report.

Alternative two. Under this method, the statement informs the participant that a minimum distribution with respect to the IRA is required for the calendar year and the date by which such amount must be distributed. You must include an offer to furnish the owner with a calculation of the amount of the RMD if requested by the participant.

Electronic filing. These statements may be furnished electronically using the procedures described in part H of the 2004 General Instructions for Forms 1099, 1098, 5498 and W-2G.

Reporting to the IRS. If an RMD is required, check box 11 (see page R-13). For example, box 11 is checked on the 2004 Form 5498 for a 2005 RMD. You are not required to report to the IRS the amount or the date by which the distribution must be made.

For more details, see Notice 2002-27, 2002-18 I.R.B. 814, and Notice 2003-3, 2003-2 I.R.B. 258. Also see the regulations under section 401(a)(9) and Notice 2003-2, 2003-2 I.R.B. 257, for transitional relief related to RMDs from annuity contracts.

Inherited IRAs. In the year an IRA participant dies, you, as an IRA trustee or issuer, generally must file a Form 5498 and furnish an annual statement for the decedent and a Form 5498 and an annual statement for each nonspouse beneficiary. An IRA holder must be able to identify the source of each IRA he

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or she holds for purposes of figuring the taxation of a distribution from an IRA. Thus, the decedent's name must be shown on the beneficiary's Form 5498 and annual statement. For example, you may enter "Brian Willow as beneficiary of Joan Maple" or something similar that signifies that the IRA was once owned by Joan Maple. You may abbreviate the word "beneficiary" as, for example, "bene."

For a spouse beneficiary, unless the spouse makes the IRA his or her own by making contributions to the account, including a rollover contribution, or by not taking distributions required by section 401(a)(9)(B), treat the spouse as a nonspouse beneficiary for reporting purposes. If the spouse makes the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

Fair market value. On the decedent's Form 5498 and annual statement, you must enter the FMV of the IRA on the date of death in box 5. Or you may choose the alternate reporting method and report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because you will be reporting the end-of-year valuation on the beneficiary's Form 5498 and annual statement. The same figure should not be shown on both the beneficiary's and decedent's forms. If you choose to report using the alternate method, you must inform the executor or administrator of the decedent's estate of his or her right to request a date-of-death valuation.

On the beneficiary's Form 5498 and annual statement, the FMV of that beneficiary's share of the IRA as of the end of the year must be shown in box 5. Every year thereafter that the IRA exists, you must file Form 5498 and furnish an annual statement for each beneficiary who has not received a total distribution of his or her share of the IRA showing the FMV at the end of the year and identifying the IRA as described above.

However, if a beneficiary takes a total distribution of his or her share of the IRA in the year of death, you need not file a Form 5498 nor furnish an annual statement for that beneficiary, but you must still file Form 5498 for the decedent.

If you have no knowledge of the death of an IRA owner until after you are required to file Form 5498 (May 31), you are not required to file a corrected Form 5498 nor furnish a corrected annual statement. However, you must still provide the date-of-death valuation in a timely manner to the executor or administrator upon request.

For more information about the reporting requirements for inherited IRAs, see Rev. Proc. 89-52, 1989-2 C.B. 632.

Special reporting for U.S. Armed Forces in designated combat zones. An individual who is serving in or in support of the Armed Forces in a designated combat zone or qualified hazardous duty area has an additional period after the normal contribution due date of April 15 to make IRA contributions for

a prior year. The period is the time the individual was in the designated zone or area plus at least 180 days. The individual must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return.

If a qualifying combat zone individual makes a contribution to an IRA after April 15th and designates the contribution for a prior year, you must report the type of contribution (Box 7) and the amount on Form 5498. Report the amount either for (1) the year for which the contribution was made or (2) a subsequent year.

1. If you report the contribution for the year it is made, no special reporting is required. Include the contribution in box 1 of an original Form 5498 or of a corrected Form 5498 if an original was previously filed.
2. If you report the contribution on Form 5498 in a subsequent year, you must include the year for which the contribution was made, the amount of the contribution, and one of the following indicators:
 - A. Use "JG" (Joint Guard) or "AF" (Allied Force) for the Kosovo area.
 - B. Use "JE" (Joint Endeavor) for the Persian Gulf area.
 - C. Use "EF" (Enduring Freedom) for Afghanistan, Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, and Jordan.
 - D. Use "IF" (Iraqi Freedom) for the Arabian Peninsula Areas (the Persian Gulf, the Red Sea, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates and the airspace above such locations).

Under 2 above, enter the information in the blank box to the left of box 10. Do not enter the amount in box 1 (or box 10). For example, enter a \$2,000 IRA contribution designated for Joint Guard for the tax year 1998 as "JG 1998 2000" in the blank box.

See Pub. 3, Armed Forces' Tax Guide, for a list of the locations within the designated combat zones and qualified hazardous duty areas.

Magnetic media/electronic filers. You may request an automatic waiver from filing combat zone Forms 5498 by submitting Form 8508, Request for Waiver From Filing Information Returns Magnetically. Once you have received the waiver, you may report all Forms 5498 for combat zone participants on paper. Alternatively, you may report contributions made by the normal contribution due date magnetically or electronically and report the contributions made after the normal contribution due date on paper. You may also report prior year contributions by combat zone participants

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on a corrected Form 5498 magnetically, electronically, or on paper.

See Magnetic Media/Electronic Reporting in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G for information on how to request a waiver on Form 8508.

Corrected Form 5498. If you filed a Form 5498 with the IRS and later discover that there is an error on it, you must correct it as soon as possible. See part I in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G. For example, if you reported contributions as rollover contributions in box 2, and you later discover that part of the contribution was not eligible to be rolled over and was, therefore, a regular contribution that should have been reported in box 1, you must file a corrected Form 5498.

Statements to participants. If you are required to file Form 5498, you must provide a statement to the participant. By January 31, 2005, you must provide participants with a statement of the December 31, 2004, value of the participant's account and RMD, if applicable. Trustees of SIMPLE IRAs also must provide a statement of the account activity by January 31. Contribution information for all other types of IRAs must be provided by May 31, 2005. You are not required to provide information to the IRS or to participants as to whether a contribution is deductible or nondeductible. In addition, the participant is not required to tell you whether a contribution is deductible or nondeductible.

If you furnished a statement of the FMV of the account to the participant by January 31, 2005, and no reportable contributions, including rollovers, recharacterizations, or Roth IRA conversions, were made for 2004, you need not furnish another statement (or Form 5498) to the participant to report zero contributions. However, you must file Form 5498 with the IRS by May 31, 2005, to report the December 31, 2004 FMV of the account. This rule also applies to beneficiary accounts under the inherited IRA rules on this page.

For more information about the requirement to furnish statements to participants, see part H in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

CAUTION! If you do not furnish another statement to the participant because no reportable contributions were made for the year, the statement of the FMV of the account must contain a legend designating which information is being furnished to the Internal Revenue Service.

Box 1. IRA Contributions (Other Than Amounts in Boxes 2–4, and 8–10)

Enter contributions to a traditional IRA made in 2004 and through April 15, 2005, designated for 2004.

Report gross contributions, including the amount allocable to the cost of life insurance (see Box 6) and including any excess contributions, even if the excess contributions were withdrawn. If an excess contribution is treated as a contribution in a subsequent year, do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution on Form 5498 for the year it was actually contributed.

Also include employee contributions to an IRA under a SEP plan. These are contributions made by the employee, not by the employer, that are treated as regular IRA contributions subject to the 100% of compensation and \$3,000 (\$3,500 for individuals 50 or older) limits of section 219. Do not include employer SEP contributions or SARSEP contributions under section 408(k)(6). Instead, include them in box 8.

Also, **do not** include in box 1 contributions to a SIMPLE IRA (report them in box 9) and a Roth IRA (report them in box 10). In addition, do not include in box 1 rollovers and recharacterizations (report rollovers in box 2 and recharacterizations in box 4), or a Roth IRA conversion amount (report in box 3).

Box 2. Rollover Contributions

Enter any rollover contributions to any IRA received by you during 2004. Include a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an IRA. For the rollover of property, enter the FMV of the property on the date you receive it. This value may be different from the value of the property on the date it was distributed to the participant.

Box 3. Roth IRA Conversion Amount

Enter the amount converted or reconverted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA during 2004. Do not include a rollover from one Roth IRA to another Roth IRA. Include a rollover in box 2.

Box 4. Recharacterized Contributions

Enter any amounts recharacterized plus earnings from one type of IRA to another.

Box 5. Fair Market Value of Account

Enter the FMV of the account on December 31. For inherited IRAs, see Inherited IRAs on page R-12.

Box 6. Life Insurance Cost Included in Box 1

For endowment contracts only, enter the amount included in box 1 allocable to the cost of life insurance.

Box 7. Checkboxes

If you did not enter an amount in box 1, 3, 8, 9, or 10, even if you entered an amount in box 2 or 4, you must check the appropriate box. If you entered an amount in box 1, 3, 8, 9, or

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10, you may, but you do not have to, check the appropriate box.

IRA. Check "IRA" if you are filing Form 5498 to report information about a traditional IRA account.

SEP. Check "SEP" if you are filing Form 5498 to report information about a SEP IRA. A SEP is a written arrangement (plan) under section 408(k) established by an employer to make contributions toward his or her own (if a self-employed individual) and employees' retirement. The contributions are made to the IRAs of the participants in the plan. If you do not know whether the account is a SEP IRA, check the "IRA" box.

SIMPLE. Check "SIMPLE" if you are filing Form 5498 to report information about a SIMPLE IRA account. A SIMPLE IRA is an individual retirement plan that can receive contributions under a written salary reduction arrangement. It may be established by an employer (including a self-employed person) with 100 or fewer employees. Do not check this box for a SIMPLE 401(k) plan. See section 408(p).

Roth IRA. Check "Roth IRA" if you are filing Form 5498 to report information about a Roth IRA account.

Box 8. SEP Contributions

Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2004 including contributions made in 2004 for 2003, but not including contributions made in 2005 for 2004. Do not enter employee contributions to an IRA under a SEP plan. Report any employee contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account.

Box 9. SIMPLE Contributions

Enter any contributions made to a SIMPLE IRA during 2004. Do not include contributions to a SIMPLE 401(k) plan.

Box 10. Roth IRA Contributions

Enter any contributions made to a Roth IRA in 2004 and through April 15, 2005, designated for 2004. However, report Roth IRA conversion amounts in box 3.

Box 11. Check if RMD in 2005

Check the box if the participant must take a required minimum distribution (RMD) for 2005. On Form 5498, or in a separate statement, report the information required by Alternative one or Alternative two (see page R-11). To determine the RMD, see the regulations under sections 401(a)(9) and 408(a)(6) and (b)(3). If you use Form 5498 to report the additional information under Alternative one, enter the amount and date in the blank box to the left of Box 10 on the form.

Special Explanation—Reporting SEP Contributions to the IRS

An IRA custodian may use the following explanation (by making a copy) to explain to your SEP customer how SEP contributions are reported to the IRS.

The purpose of this explanation is to detail how we, as your IRA custodian, are required to report contributions to your SEP-IRA to the IRS on Form 5498.

When we receive a contribution to your SEP-IRA, we are to consider it made by the "employer" for benefit of you, the "employee." If a business is unincorporated, the "employer" is considered to be self-employed, and will either be an individual (i.e. sole proprietor) or a partnership. When you are self-employed, you are both the "employee" and the "employer."

The SEP-IRA custodian reports the SEP-IRA contribution in Box 8 of the Form 5498 for the year in which the contribution is received, regardless of the employer's tax year for which it was contributed. The reason for this is that the employer's deadline for making its SEP contribution is its tax-filing deadline plus extensions.

The April 15 deadline which applies to traditional and Roth IRAs does not apply to SEP-IRA contributions. The "plus extension" rule means that a business (i.e. the employer) may make its contribution for the prior year after May 31 of the current year (e.g. on August 13, 2004, an employer may contribute funds for the 2003 tax year). Note: The Form 5498 is required to be furnished to you, the SEP-IRA accountholder, by May 31 of each year (unless May 31 is a holiday or a Saturday or Sunday; then it must be furnished by the next working day).

The IRS instructions for Box 8 of the 2003 Form 5498 read as follows:

*"Enter **employer** contributions made to a SEP-IRA (including salary deferrals under a SARSEP) during 2003, including contributions made in 2003 for 2002, but not including contributions made in 2004 for 2003. **Do not** enter employee contributions to an IRA under a SEP plan. Report any employee contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account."*

Tax Reporting by the Employer— The business entity is entitled to claim a tax deduction on the tax return for which the contribution was designated. The Form 5498 does not inform the IRS of the employer's tax year for which the contribution was made. It merely informs the IRS of the fact that an employer made a contribution on behalf of an employee during a specific calendar year.

Furnishing a SEP Checklist to Your SEP-IRA Clients

The IRS has prepared a checklist to help employers and their advisers administer their SEP-IRA plans. An IRA custodian should consider furnishing it to your SEP-IRA clients as a customer service.

SEP CHECKLIST

This Checklist is **not** a complete description of all plan requirements, and should **not** be used as a substitute for a complete plan review.

For Business Owner's Use
(DO NOT SEND THIS WORKSHEET TO THE IRS)

Every year it is important that you review the requirements for operating your Simplified Employee Pension (SEP). This Checklist is a "quick tool" to help you keep your plan in compliance with many of the important tax rules. Underlined text below will link you to Internet information.

<p>1. Are all <u>eligible employees</u> participating in the SEP? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>Any employee who is at least 21 years of age, was employed by you for 3 of the immediately preceding 5 years, and received <u>compensation</u> from you of at least \$450 during the year (subject to <u>cost-of-living adjustments</u> after 2004) is eligible to participate in a SEP.</p>	<p>6. Are SEP contributions to each employee's <u>IRA</u> limited as required by law? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>Contributions to a SEP-IRA are limited to the lesser of 25% of the employee's compensation for the year or \$40,000 for 2003 (\$41,000 for 2004, and subject to cost-of-living adjustments for later years).</p>
<p>2. Is the business that the SEP covers the only business that you and/or your family members own? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>Employees of other businesses you and/or your family members own may have to be treated as employees when determining who is an eligible employee under this SEP.</p>	<p>7. Are employer contributions immediately 100% <u>vested</u>? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>Employer contributions cannot be conditioned on anything. Once made, the employee owns all contributions.</p>
<p>3. Have you given all of your eligible employees <u>information about the SEP</u>? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>You must give your employees certain information about the SEP, including a copy of the SEP document. Form 5305-SEP is your SEP document if you use the model form.</p>	<p>8. Have you made required <u>top-heavy</u> minimum contributions to the SEP? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>If a SEP is top-heavy or deemed top-heavy, contributions must be made for the non-key employees equal to the lesser of 3% of compensation or a percentage equal to the highest contribution rate of any key employee.</p>
<p>4. Are you determining each eligible employee's <u>compensation</u> using an appropriate definition in accordance with your SEP document? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>Compensation used to determine contributions is limited to \$200,000 for 2003, 205,000 for 2004, and is subject to cost-of-living adjustments in later years.</p>	<p>9. Have you <u>deposited employer contributions</u> timely? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>Employers have until the due date, including extensions, of their tax return to deposit employer contributions in order to obtain a deduction.</p>
<p>5. Are contributions made only to a <u>traditional IRA</u>? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>All SEP contributions must go to traditional IRAs set up for the eligible employees.</p>	<p>10. If the model Form 5305-SEP was used to set up the plan, is this SEP your business's <u>only employee retirement plan</u>? Yes No <input type="checkbox"/> <input type="checkbox"/></p> <p>A sponsor of a SEP established using model Form 5305-SEP cannot sponsor another retirement plan, such as a 401(k) plan.</p>

If you answered "No" to any of the above questions, you may have a mistake in the operation of your SEP. Many mistakes can be corrected easily, without penalty and without notifying the IRS.