The Pension Digest

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The Pension Protection Act of 2006

On August 17, 2006, President Bush signed the Pension Protection Act of 2006 into law. Many of the required procedures and documentation relating to the changes brought about by this Act, including governmental reporting, have not yet been made clear by the IRS. CWF will continue to monitor the situation and will keep you informed as these rules and procedures become available. The following is an explanation of the IRA-related changes brought about by this new law.

New Type of Inherited IRA

Beginning in 2007, nonspouse beneficiaries can directly roll over to inherited IRAs, death distributions from qualified plans, tax-deferred annuities, and governmental Section 457 plans. The way this new law is written, it appears that the qualified plan document must authorize this direct rollover to an inherited IRA with an IRA custodian. The new law does NOT authorize a distribution to a nonspouse beneficiary who then makes a rollover contribution into an inherited IRA.

Inherited IRAs that are directly rolled over from a 401(k) plan or other eligible retirement plan will need to be administered separately from "true" inherited IRAs. The required distribution period for these inherited IRAs originating from a retirement plan will either be the five-year rule or the life-distribution rule, as elected by the inheriting individual. There will need to be an IRA plan agreement for these inherited IRAs. The IRS will need to issue guidance on this subject. Until the IRS gives this additional guidance, CWF will either be modifying its inherited IRA form or creating a special inherited IRA form.

The required distribution period for "true" inherited IRAs depends upon whether or not the original IRA accountholder died before or after his or her required beginning date, and who or what was designated as the inheriting beneficiary.

Tax-Free Charitable Distributions

Effective on the date of enactment, August 17, 2006, and through 2007, certain individuals who itemize their deductions will be able to instruct that their IRA custodian withdraw funds from their traditional IRA and/or Roth IRA and donate them, via a "direct payment," to a qualifying charity, on a tax-free basis. Distributions from SEP-IRAs or SIMPLE-IRAs are ineligible for this special treatment, as are distributions from qualified plans and other types of retirement plans.

The IRA custodian/trustee remitting the funds will want to have the charity sign a special certification form prior to remitting the funds. This special certification form will be very similar to a standard transfer form.

The distribution amount is excluded from the accountholder's income, as long as certain rules are met. First, there is a $100,000 limit (per year) to this new tax benefit. Second, at the time of the distribution, the accountholder must be

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age 70½ or older. Third, the distribution will be excluded from income only to the extent that the IRA distribution would otherwise be includible in gross income. Fourth, the entire amount withdrawn would have had to qualify as a charitable deduction under Code section 170. However, the percentage limitations of section 170 may be disregarded.

The above rules are "per person" rules, meaning that if two individuals are married, and both have IRAs with substantial balances and meet the rules, both will be able to exclude $100,000 from their taxable income.

Charitable organizations have fought long and hard for this law change, and other similar concepts. This rule change only applies for years 2006 and 2007, unless there would be another tax law extending these provisions to subsequent years.

Not only is a person able to exclude from income the funds withdrawn from their IRA and donated to a charity, such funds also count against a person's RMD for such year.

What charities qualify in order for the IRA distribution to be tax free for the accountholder? The so-called 50-percent organizations, as defined in Code section 170(b)(1)(A) will qualify. However, the supporting organizations described in Code section 509(a)(3) are excluded, as are donor advised funds. The qualifying 50-percent organizations are: churches, a convention or association of churches, educational institutions, hospitals, organizations supporting government schools, medical research organizations, governmental units, publicly supported organizations, common fund foundations, certain private operating foundations, and conduit foundations. Publication 526, Charitable Contributions, lists the following organizations as being the most common:

1. Churches, synagogues, temples, mosques, and other religious organizations;
2. Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt);
3. Nonprofit schools and hospitals;
4. Public parks and recreation facilities;
5. Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.
6. War Veteran's groups.

Special Taxation Rules

If there is a qualified charitable distribution, it will be 100% tax-free because special rules will apply. In the case of a distribution of funds from a traditional IRA, the special pro rata taxation rule as set forth in Code section 72 for IRAs is not to be used. In the case of a nonqualified distribution from a Roth IRA, the standard ordering rules (annual contributions, conversion contributions, and then earnings) will not be used.

Rather, the distribution is treated as consisting of income first, up to the aggregate amount that would be includible in gross income (but for this provision) if the aggregate balance of all IRAs were distributed during the same year. Proper adjustments in calculating the tax treatment of future distributions are to be made to reflect the fact that "taxable income" was transferred to the charity. These distributions which were excluded from gross income are not taken into account in determining the deduction for charitable contributions under section 170.

We at CWF believe this special taxation rule is very important, because it is the first time Congress has been willing to create an exception to the pro-rata taxation rule. If Congress really wanted to simplify the tax rules with respect to IRAs, and influence more individuals to make contributions, it would change the law to allow the taxpayer to withdraw the non-taxable portion of his or her IRA first, and then withdraw the taxable portion. The pro-rata taxation rule has influenced many individuals to not make IRA contributions.

Example. Sue Panko has an aggregate total of $100,000 in her two traditional IRAs. Her basis is $20,000. Sue has $90,000 with IRA trustee #1, and the other $10,000 with IRA trustee #2. Her RMD for 2006 is $7,500. Sue decides she wishes to give $40,000 to the Red Cross. Sue instructs IRA trustee #1 to send $40,000 to the Red Cross on September 10, 2006. This is done by the end of September. How will this payment get treated on her 2006 federal income tax return?

The $40,000 will be excluded from her income. The $60,000 which remains in her traditional IRA will still have a basis of $20,000. Presumably, the IRS will be modifying the Form 8606 so that Sue can properly reflect these transactions.

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The $40,000 distribution is not considered in determining the amount of Sue's charitable tax deduction for the year.

What reporting duties exist for the IRA trustee with respect to a qualified charitable distribution?

The IRS has not yet given any guidance on this subject. We would be very surprised if the IRS adopted the approach that a Form 1099-R does not need to be prepared. Keep in mind that a person only qualifies for the exclusion treatment if many rules are met. If the rules are not met, the distribution is required to be included in the income of the accountholder, and it will be taxable to them in the year the distribution is made.

CWF believes the IRA trustee will be required to report the distribution on Form 1099-R, and will most likely list the individual as the recipient. The other alternative would be to list the charity as the recipient. The IRS, most likely, will have a special distribution code for box 7 purposes for a qualified charitable distribution. The IRS should be issuing guidance on this subject in the near future. We will keep you informed. Until the IRS issues guidance, we believe the IRA trustee must obtain the charity's full legal name, address, TIN, contact person, etc. before issuing a check to such charity.

Split Interest Trust Filing Requirement

The ability to now exclude amounts up to $100,000 for certain IRA distributions to charities will probably result in an increased use of what are called "split interest" transfers. That is, the donor (i.e. the IRA accountholder) transfers a partial interest in the IRA to a charity (e.g. a remainder) while also retaining an interest in the IRA (an income interest).

The filing requirements for tax years beginning after December 31, 2006, (i.e. 2007) have been made more stringent. Under current law, split-interest trusts are required to file an annual information return, Form 1041A. Such returns are open to public inspection. A failure to file the required return may result in a penalty on the trust of $10 per day for as long as the failure continues, up to a maximum of $5,000 per return. A trust that is required to distribute all trust net income currently to trust beneficiaries in a taxable year had been exempt from this filing requirement for such year. However, under the Pension Protection Act of 2006, a trust that is required to distribute all trust net income currently to trust beneficiaries in a taxable year is <u>no longer</u> exempt from this filing requirement for such year. It must file the annual information return. In addition, various penalties have been increased. Such penalties exist for failure to file a return, for failure to include any of the information required to be shown on the return and failure to show the correct information. The penalty will be $20 for each day the failure continues, up to $10,000 for any one return. In the case of a split interest trust with gross income in excess of $250,000, the penalty is $100 for each day the failure continues, up to $50,000, for any one return. In addition, in some cases there will be personal liability on the part of a trustee rather than just having the trust be liable. For example, if a person (an officer, director, trustee, employee or other individual) has the duty to file the return or include required information, then that person is also personally liable for such penalty. Such penalty is in addition to the penalty owed by the organization.

Direct Rollover Conversions to Roth IRAs

Beginning in 2008, eligible rollover distributions from qualified plans, tax-deferred annuities, and governmental section 457 plans may be directly rolled over to a Roth IRA. The plan document will have to authorize such direct rollovers. In order to be eligible to do such a conversion, the individual will have to meet the same eligibility requirements which apply when one converts from a traditional IRA to a Roth IRA. That is, until 2010, an individual or a married couple must have less than $100,000 of modified adjusted gross income and, if married, must file a joint income tax return. As with IRAs, the plan will have to prepare the Form 1099-R in such a way that the individual and the IRS are informed that this transaction is taxable, but is not subject to the 10% additional tax, if applicable.

Distributions to Reservists Called to Active Duty and Special Recontribution Rules

Distributions from IRAs (or elective deferrals from a 401(k) or 403(b) plan) to military reservists called to active duty between September 11, 2001, and December 31, 2007, for 180 days or more, will not be subject to the premature distribution penalty tax of

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10%, as long as the distribution is/was made during the time of active duty. This provision is effective retroactively as of September 11, 2001.

In addition, the individual can recontribute the early distribution to an IRA over a two-year period ending the later of two years after the active duty ends, or August 17, 2008. The repayment may be made in one or more contributions, and the normal contribution limits do not apply. The repayment cannot exceed the distribution amount.

Because this special recontribution rule is retroactive to September 11, 2001, reservists who took an IRA distribution between 9/11/01 and 8/17/06, when this new law was enacted, may have paid tax on the distribution, and may have paid the 10% additional tax. They may now be eligible for a refund. If so, they must file an amended return to claim a refund.

If there is some tax rule which would otherwise prevent the individual from realizing the tax benefit of his/her recontribution, the law expressly authorizes that a refund or credit be allowed. Some individuals must present their claim before the close of a 1-year period commencing on August 17, 2006. This refund or credit is to be allowed even if it would be considered late under other tax rules, including res judicata.

Special IRA Contribution Limits for Certain Persons Impacted by an Employer's Bankruptcy

Current IRA rules allow a person over age 50 in 2006 and subsequent years to make a catch-up contribution to their IRA of $1,000, in addition to the standard contribution of $4,000.

This catch-up amount increases to $3,000, if an applicable individual so elects. To qualify as an applicable person, he or she must have been a participant in a 401(k) plan under which the employer matched at least 50% of the individual's elective deferrals by contributing employer stock. In addition, such employer, in a taxable year before this year, must have been a debtor in a bankruptcy case, and the employer or any other person must have been subject to an indictment or conviction. Note that if the individual elects the $3,000 limit, then he or she is ineligible for the $1,000 limit. This special right to make a catch-up contribution is not limited to just those individuals who are age 50 or older.

Apparently the intent of the law is to provide special relief to the employees of Enron and the employees of similarly situated businesses. This type of change (directed at a fairly small number of taxpayers) does create an administrative burden for the IRS and for IRA custodians, since every IRA plan agreement will need to be amended to incorporate this new special contribution limit. The cardinal rule of IRA and pension law is that the plan agreement must be followed, and it must correctly state existing law.

EGTRRA IRA Changes Made Permanent

The Pension Protection Act of 2006 made permanent a number of changes of the Economic Growth Tax Relief Reconciliation Act of 2001 (EGTRRA) that were scheduled to be eliminated on December 31, 2010, under the Sunset Provision. These changes are:

1. Increased IRA contribution amounts
2. Catch-up IRA contributions.
3. Cost-of-living adjustments starting in 2008 for IRA contributions

Prior to 2002, the contribution limit was $2,000. This changed to $3,000 for 2002 - 2004, $4,000 for 2005 - 2007, and $5,000 for 2008 and subsequent years. Catch-up or additional contributions of $500 could be made by a person age 50 or older for 2002 - 2005, and in the amount of $1,000 for 2006 and subsequent years. These contribution limits will be adjusted for cost-of-living increases commencing in 2008.

Saver's Tax Credit Made Permanent

This tax credit for certain individuals making IRA contributions was set to expire December 31, 2006. It has now been made permanent. The income levels affecting eligibility for the applicable percentage for the credit will be adjusted for the cost of living beginning in 2007, which should make more individuals eligible for this credit. Under current law, the maximum amount of the credit is $1,000, based on a $2,000 contribution. It appears this $2,000 base will also be indexed beginning in 2007. The IRS should be announcing the 2007 levels in November or December 2006.

Deductible Traditional IRA Income Limits

Certain income limits will continue to apply for individuals who desire to make deductible traditional IRA

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contributions; however, the modified adjusted gross income (MAGI) limits will be adjusted for cost-of-living increases beginning in 2007, for the following filing categories: single; married, filing separately; and for nonactive participants married to active participants, who file jointly. The "married, filing jointly" MAGI range will be subject to cost-of-living adjustments in 2008. The effect of this change will be that more individuals will be eligible to claim a tax deduction for their IRA contribution.

Roth IRA Eligibility MAGI

The modified adjusted gross income amounts for Roth IRA contribution eligibility will be subject to cost-of-living adjustments beginning in 2007. The IRS should be announcing the 2007 limits in November or December of 2006.

Unemployment Compensation Calculation

Under this new law, states are prohibited from reducing an individual's unemployment compensation for "any pension, retirement or retired pay, annuity, or similar payment" that is rolled over and not included in gross income. Although all the details are not yet available from the IRS, this would appear to include IRA distributions that are rolled over.

Direct Deposit of Tax Refunds

Electronic deposit of tax refunds to checking and savings accounts have been available for some time now. Beginning in 2007, the law provides that it will be possible to also have direct deposit of your federal income tax refund into a traditional or Roth IRA. As a practical matter, the IRS has already acted so that it will be possible to have the refund related to the 2006 tax return directly deposited into up to three accounts, which may be IRA accounts.

The availability of this direct deposit option does not change the requirement that an IRA accountholder normally has until April 15 of the following year to make an IRA contribution for the prior year (April 16, for 2006 contributions, as April 15 is a Sunday). Taxpayers wishing to use this direct deposit option will want to make certain they file their tax return early in the year, to be certain their refund is deposited into the IRA account by the tax-filing deadline (normally April 15). If the funds would be deposited after the tax-filing deadline, the IRA contribution would be considered to be made FOR the year in which it was received.

Example: If a taxpayer were to file their 2006 tax return on March 1, 2007, and the refund which they request be deposited into their IRA, and which they wanted to use as a 2006 contribution, was deposited on April 17, 2007, the contribution would be considered to be a 2007 IRA contribution.

Also, if the taxpayer wishes to have the contribution be for the prior year, he/she must furnish this instruction in writing, as a custodian's IRA plan agreement normally states that an IRA contribution will be considered made for the year it is received, unless the accountholder states in writing that it is for the prior year.

A form will need to be used on which the accountholder will indicate for which year the contribution is to be credited. Again, however, the accountholder must file their tax return early enough to insure that their refund is deposited by the tax-filing deadline.

The IRS has issued a draft form, number 8888 to be used for this electronic deposit of refunds.

New Concept - No Prohibited Transaction (PT) if PT Corrected Within a Correction Period

The prohibited transaction rules are complex, and the tax consequences are harsh if a prohibited transaction occurs. There is a 15% tax assessed (of the amount involved in the transaction) and, if not corrected, there may also be a 100% tax. Under current tax law, it does not matter if the PT occurred because of an innocent mistake or an intentional error.

A new PT exemption is meant to recognize the fact that unintentional mistakes sometimes occur, and to provide relief from the PT excise taxes in such cases. Taxes will not be owed if the PT exemption is corrected as described below. Once corrected, any tax which had been assessed shall be abated, and, if such tax has already been paid, the amount shall be refunded to the taxpayer. A prohibited transaction will be corrected if the transaction is reversed or undone to the extent possible. If there have been any losses suffered by a plan or an account within a plan, then such loss will need to be paid to the plan or account by the disqualified person. In addition, any profits realized by a disqualified person, as a result of this prohibited transaction, must be paid to the plan or the affected account.

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The general rule will be that a transaction that otherwise would be a prohibited transaction will not be one if the transaction is corrected before the end of the correction period. This is the 14-day period beginning on the date on which the disqualified person discovers, or reasonably should have discovered, that the transaction would constitute a prohibited transaction.

There are two exceptions to the general rule. First, the exception will not apply if any disqualified person knew, or should have known, at the the time of the transaction, that the transaction would be a prohibited transaction. There is no intent to provide relief to a person who knew, or should have known, that the transaction being made was a PT. This means that advice will need to sought, in some cases, from attorneys and accountants who specialize in this field and from the IRS and DOL.

Second, the exception will not apply to sales or acquisitions of an employer security or to employer real property when the transaction is between a plan and the employer which is a plan sponsor, or any of its affiliates.

The concept of being able to correct a PT is certainly a desired one from the taxpayer's viewpoint. It will be interesting to see how the IRS and the DOL react to this law change.

PT Exemption for Providing Investment Advice and Related Investment Transactions

This topic will be discussed in CWF's October newsletter. ◆

Roth Conversion Eligibility Requirements Eliminated/Special Tax-Averaging Rule for 2010 Conversions

The current conversion rules requiring that an individual or married couple have less than $100,000 of modified adjusted gross income, and, if married, must file a joint income tax return are being repealed for conversions made after December 31, 2009. Beginning in 2010, any individual wishing to convert a traditional IRA to a Roth IRA may do so, regardless of income or marital status. A special tax advantage will be given for conversions made in 2010; an individual will be allowed to include 1/2 the conversion amount in income in 2011, and 1/2 in 2012, if desired. (From the "Tax Increase Prevention and Reconciliation Act of 2005." See CWF's detailed discussion in our May 2006 Newsletter.) ◆

Increased Form 5500-EZ Filing Limit

Currently, for any Keogh account (one-participant retirement plan) which does, or has ever had, a balance of $100,000 or more, a Form 5500-EZ must be filed. Under the Pension Protection Act of 2006, for plan years beginning after 2006, a one-participant retirement plan is exempt from filing an annual report (Form 5500-EZ) if the plan's assets are $250,000 or less. The filing deadline for the 5500-EZ is seven months after the end of the plan year (July 31 for calendar-year plans). The 2007 5500-EZ will be due July 31, 2008, for calendar-year plans. Remember, however, that no matter what the dollar amount, a 5500-EZ must always be filed for the year in which a plan is terminated. Because most CWF QP customers have one-person plans, we are mentioning this change.

For plan years beginning after the 2006 plan year, there will be a simplified annual return for any retirement plan that covers less than 25 participants on the first day of a plan year. To qualify for the simplified annual return, the plan must meet the same qualification requirements as a one-participant retirement plan, except that the plan may provide benefits to participants other than the owner or partners, and their spouses.

There are many other changes effecting qualified plans, and we will summarize them in a future newsletter. ◆

Qualified Plan Distribution Form — Employer Must Furnish

When a participant in an employer-sponsored qualified pension plan separates from the service of the employer, certain procedures must be followed. One important procedure mandated by law is that the employer must furnish such separating employee with a form which details the options the employee has for receiving a distribution from the pension plan.

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The form is required to list these three options for distribution of a plan participant's vested balance:

1. Direct Rollover — Payment can be made directly to a traditional IRA that the separating participant has established, or to an eligible employer plan that will accept such funds and hold them for the individual's benefit,
2. Payment can made directly to the individual, or
3. A portion of the payment may be directly rolled over and the remainder can be paid to the individual.

The most common choice is number one, where the individual establishes an IRA and has the qualified plan funds directly rolled over into such IRA.

Besides providing the above information to the separating participant, the employer will also wish to provide an election form which the individual will complete and return to the employer. On this form, the individual will choose one of the three options and will include the address of where to send the check. If they have requested that their funds be rolled over to an IRA, the form should have a place to certify that the individual has established an IRA at a financial institution, and will have space to indicate the address of the financial institution to which the check is to be sent.

Because of the importance and tax consequences of a qualified plan distribution, an employer will want to provide a proper "paper trail," should a question ever arise concerning a distribution. Therefore, an employer will want to provide a form such as CWF's Form #857 election form and booklet. These items provide all the information a separating plan participant will need to make an informed decision as to how they will have their qualified plan funds paid out. ◆

First-Time Home Buyer Question

CWF received the following question concerning IRA funds and the first-time home buyer exception.

Situation: An IRA accountholder, age 55, withdrew $9,500 from his savings account. He gave this money to his son to use as a down payment on a principal residence. At that time, the accountholder was unaware of the IRA rule allowing the withdrawal of funds from his IRA for the first-time home purchase of a child. Because the son qualifies as a first-time home buyer (he has had no ownership in a principal residence for a period of two years) the accountholder now wishes to reimburse his savings account from his IRA, and claim the first-time home buyer exception as the reason for the withdrawal, thus avoiding the 10% additional tax normally owing on a premature withdrawal from an IRA. Is this permissible?

Under the first-time home buyer rules, an individual can withdraw up to $10,000 (lifetime limit) from their IRA to purchase, build, or rebuild a principal residence for themselves, their spouse, children, grandchildren, and any ancestor of themselves or their spouse, and avoid the 10% early withdrawal penalty. However, as with any distribution from a traditional IRA (other than nondeductible contributions), normal income tax will be owing on the distribution. The funds must be used within 120 days of the date of distribution, to pay "qualified" acquisition costs. These costs include the cost of buying, building or rebuilding a home, as well as any usual or reasonable settlement, financing, or other closing costs. In other words, the IRA distribution must be related only to the purchase of the property; the funds cannot be used for other expenses related to the individual's principal residence, such as maintenance, repairs, or furnishings, or for any other reason.

It certainly would have been permissible for the individual to withdraw the $9,500 from his IRA to pay the acquisition costs of his son's principal residence. Now, however, because the funds will be paid to the savings account and not to the seller of the property or the lender who is financing it, we at CWF do not believe this course of action is permitted. Even if the individual himself would have paid the savings account funds directly to the lender, reimbursement from the IRA still would not be permissible, as payment to a savings account is obviously not a "usual" part of the acquisition costs of the property. If the individual withdraws the amount from his IRA, he will be subject to normal income tax, plus the 10% early withdrawal penalty. ◆

Avoiding an Excess Roth Contribution

An individual is not required to inform the IRS when he or she makes a Roth IRA contribution, because no tax deduction is allowed for a contribution to a Roth IRA. A Roth IRA is funded with after-tax dollars.

An individual may not even think to inform his or her tax preparer that they have made a Roth IRA contribution during the year. When an individual determines his or her modified adjusted gross income for tax purposes at the end of the year, they may discover that their income is too high, and they were actually not eligible to contribute to a Roth IRA. Any Roth IRA contributions made during such year would therefore be impermissible, and would be deemed an excess contribution to the Roth IRA. An excess contribution is subject to a 6% excise tax for every year the excess remains in the account. However, an individual is allowed to correct an excess Roth IRA contribution without owing the 6% tax, if the excess contribution is removed, along with the applicable earnings, by October 15 of the year following the year the excess amount was contributed.

CWF believes it would be good customer service for Roth IRA custodians to suggest to all Roth IRA contributors that they inform their tax preparer of their Roth IRA contribution. The tax preparer can then determine whether or not the individual was eligible to make such contribution, and thus avoid the tax consequences of an impermissible (excess) Roth IRA contribution.

An easy way to keep customers informed of Roth IRA rules and regulations is by providing Roth IRA customers with CWF's Roth IRA lobby brochure. The brochure can help customers and their tax preparers determine an individual's eligibility to make a Roth IRA contribution. ◆

Do Debit Cards and Checking Accounts Work With IRAs?

We have heard that some IRA custodians have given their IRA accountholders a debit card as a way to withdraw funds from an IRA. CWF does not believe the IRS has issued any written guidance saying that a debit card may be used with respect to a distribution from a traditional IRA or a Roth IRA. Our concern is this — the standard tax rule is that a distribution is considered to have occurred, for income tax purposes (including reporting purposes), if the funds are "available" to the accountholder. In the past, the IRS has interpreted the existence of a plan document provision requiring the IRA participant to request a distribution, as meaning the funds were not immediately available, for federal income tax purposes. Because of this "not immediately available" rule, we would be surprised if the IRS would agree to the use of debit cards for IRAs. Again, we are aware that some e-banks are issuing such debit cards with respect to IRAs, but we at CWF believe it is highly dangerous to do so, without some written authorization from the IRS saying that this is permissible. At this point, we do not believe the IRS has issued such authorization. The IRS may well argue that the entire IRA balance was available, and, therefore, taxable.

The IRA withholding rules also cause a problem for the use of a debit card. The withholding rules require the IRA custodian to furnish the withholding notice and election each and every time there is a nonperiodic distribution. I believe these withholding rules would need to be changed before the use of a debit card would work.

Conclusion. Until the IRS issues written guidance stating that a taxable event does not occur until a person actually writes a check or uses the debit card, we believe an IRA custodian should not make IRA funds available to its accountholders via a checking account or debit card. ◆