THE Pension Digest

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ALSO IN THIS ISSUE –

IRS Proposes a Major Change to RMD Rules - Insurance Companies to Benefit

The IRS has scheduled a hearing for June 1, 2012, to discuss its recently proposed regulation to change the RMD rules. The RMD rules apply to both IRAs and pension plans. The IRS is giving the public less than 8 weeks to review and submit comments.

Some IRA/pension professionals have raised the concern that some individuals may out-live their IRA/pension balances. This may happen if a person lives past age 85. Age 85 is the approximate life expectancy of a person at retirement.

The DOL and the IRS have been quite receptive to the arguments of the IRA/pension professionals. Individuals who in their 60's or 70's are wanting to invest in deferred annuity contracts that are scheduled to commence payments to the insured at an advanced age – such as age 80 or 85. The goal is to accumulate funds to be used to cover the period from age 85 to end of life.

These professionals have argued that the RMD rules need to be changed. Under current law, an individual may have multiple IRAs with banks and other investment firms and the individual may have multiple IRA annuities with insurance companies. An individual age 70$^{1}/_{2}$ or older will have an RMD calculated for each IRA, but he or she is allowed to

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A Primer — Lifetime Distributions to Roth IRA Beneficiaries

Once the Roth IRA owner dies, his or her Roth IRA beneficiary must be paid certain required minimum distributions or he or she will owe the 50% excess accumulations tax. In any given year a Roth IRA beneficiary may withdraw more than the required amount. He or she may even close the inherited Roth IRA.

However, many Roth IRA beneficiaries will decide to only take their annual RMD since the inherited Roth IRA, in general, produces tax-free income. In order to maximize the amount of tax-free income a beneficiary must minimize his or her distributions. Although a Roth IRA beneficiary who is a living person could elect to use the 5-year rule to comply with the RMD rules, a person will almost never do so because the use of the 5-year rule means the Roth IRA must cease to exist by December 31 of the fifth year following the year of the Roth IRA owner's death.

Unlike with a traditional IRA, there is never an RMD due for the year the Roth IRA accountholder dies.

A nonspouse Roth IRA beneficiary is ineligible to rollover a distribution with respect to a decedent's Roth IRA. An inherited Roth IRA may be transferred.

The general rule is, commencing with the year after the year the Roth IRA accountholder dies, an inheriting Roth IRA beneficiary is required to com-

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Collin W. Fritz and Associates, Inc.,
"The Pension Specialists"

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aggregate these RMDs and take the total from just one of the IRAs.

Under current law, the amounts invested in these deferred annuity contracts must be included in the December 31 balance used to calculate the annual RMD. The IRS is proposing, as long as the annuity contract has not yet commenced distribution (has not been annuitized), an individual would be allowed to exclude the value of these deferred annuity contracts from the account balance used to determined RMDs.

Such annuity contracts are called longevity annuity contracts. The effect of excluding such longevity annuity contracts will be to lower a person's RMD amount prior to the time that he or she commences distributions from the annuity contracts. Example. Jane Doe has $400,000 is four IRAs. If at age 70½ she invests $100,000 in a longevity contract, this will reduce her RMD, in general, for future years by 25%.

The business goal of the insurance companies is clear. They will invest Jane's $100,000 until she reaches age 85 and later.

The purported purpose of a qualified longevity annuity contract (QLAC) is to provide the IRA owner or pension participant with a predictable stream of lifetime income.

There are numerous requirements which a deferred annuity must meet in order to be a qualifying longevity annuity contract.

1. A person may not invest more than 25% of his or her account balance in a longevity annuity contract. A person's account balance is the total of all of his or her IRAs.
2. A person may not invest more than $100,000 in a longevity contract. $100,00 is what the IRS has proposed as the initial limit. One can expect the insurance industry will argue for a higher amount.
3. The specified annuity starting date must be no later than the first day of the month following a person's attaining age 85 unless he or she attains age 85 on the first day of the month. The annuity starting date may be less than age 85.
4. At the time a person buys the longevity annuity contract a comprehensive disclosure will need to be furnished to the person. This requirement is discussed in more detail later.
5. For each year prior to when the individual starts to receive distributions from the longevity annuity contract, the issuer will need to furnish the individual with an annual report containing certain specified information. This requirement is discussed in more detail later.
6. Once the IRA owner dies, the general rule will be that the benefit permitted to be paid is a life annuity payable to one designated beneficiary. Payment must commence by the last day of the calendar year immediately following the calendar year of the IRA owner's death. There are, of course, special rules when a spouse is the beneficiary.
7. An annuity contract is not a qualified longevity annuity contract unless it states, when issued, that it is intended to be a qualified longevity annuity contract.
8. A variable annuity cannot qualify as a QLAC.
9. A QLAC is not permitted to make available any communtation of benefit, cash surrender value or similar feature. Again, the goal of the QLAC is to furnish an income stream and not a lump sum distribution.

Effective Date of Change

The proposed regulation does not mean that a person may now purchase a QLAC and reduce his or her RMD for 2012. For 2012 RMD calculations, the current RMD rules must be used.

The IRS has proposed that the new RMD rules regarding disclosure and reporting will be effective upon publication in the Federal Register of the final regulations adoption by the IRS. Otherwise, the new rules will be effective for annuity contracts purchased on or after the date of publication and the new rules will apply to RMDs for distribution calendar years beginning on or after January 1, 2013.

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The Initial Disclosure.

The issuer must furnish to the individual at the time of purchase or prior thereto, an initial disclosure. This initial disclosure need not be filed with the IRS. This disclosure must set forth the following information:

1. A statement that the annuity contract is intended to be a QLAC;
2. A plain-language description of the dollar and percentage limitations on premiums;
3. The annuity starting date under the contract, and, if applicable, a description of the individual's ability to elect to commence payments before the annuity starting date;
4. The amount (or estimated amount) of the periodic annuity payment that is payable after the annuity starting date as a single life annuity (including, if an estimated amount, the assumed interest rate or rates used in making this determination), and a statement that there is no commutation benefit or right to surrender the contract in order to receive its cash value;
5. A statement of any death benefit payable under the contract, including any differences between benefits payable if the individual dies before the annuity starting date and benefits payable if the individual dies on or after the annuity starting date;
6. A description of the administrative procedures associated with an individual's elections under the contract, including deadlines, how to obtain forms, and where to file forms, and the identity and contact information of a person from whom the individual may obtain additional information about the contract; and
7. Such other information as the Commissioner may require.

The Annual Report

The issuer must furnish to the individual and the IRS an annual report. The report is required to be furnished to the individual on or before January 31 following the calendar year for which the report is required.

1. A statement that the annuity contract is intended to be a QLAC;
2. The name, address, and identifying number of the issuer of the contract, along with information on how to contact the issuer for more information about the contract;
3. The name, address, and identifying number of the individual in whose name the contract has been purchased;
4. If the contract was purchased under a plan, the name of the plan, the plan number, and the Employer Identification Number (EIN) of the plan sponsor;
5. If payments have not yet commenced, the annuity starting date on which the annuity is scheduled to commence, the amount of the periodic annuity payable on that date, and whether that date may be accelerated;
6. The amount of each premium paid for the contract, along with the date of the premium payment; and
7. Such other information as the Commissioner may require.

The report must contain the provision – "This information is being furnished to the Internal Revenue Service."

For IRAs the fair market value of the account on December 31 must be provided to the IRA owners by January 31 of the following year. Trustees, custodians, and issuers are responsible for ensuring that all IRA assets (including those not traded on an established securities market or with otherwise readily determinable value) are valued annually at their fair market value. This incudes the value of a contract that is intended to be a QLAC.

The IRS issued in late March, 2012, its proposal to change the RMD rules to give special treatment to QLACs. The change is major. It adds complexity to the administration of IRAs and pension plans. CWF will keep you informed.

The IRS and DOL believe that it is preferred that individuals have annuity contracts rather than an account balance as the annuity contract provides a more a predicable income stream. The insurance companies are not going to be saying no to this new opportunity for annuity sales. It was not that long ago that the selling of an

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annuity to an older person was suspect. Times do change. We at CWF would argue for a simpler approach, at least with respect to IRAs – repeal the law requiring a person to take annual RMDs commencing for the year he or she attains age 70½. As most IRA custodians know, the large majority of IRA owners would never take an RMD if the federal income tax laws did not require it. ◆

Lifetime Roth IRA Distributions,
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mence distributions over his or her life expectancy. The Single Life Table is used along with the reduce by one rule. Almost always, a surviving spouse, who is the sole beneficiary will elect to treat the deceased spouse's IRA as his or her own Roth IRA since a Roth IRA accountholder is not required to take any distribution while he or she is alive.

A Roth IRA beneficiary will owe the 50% excess accumulations tax if an RMD deadline is missed unless the IRS would waive such tax.

If the Roth IRA accountholder had met the 5-year requirement prior to his or her death, then any and all distributions to the beneficiary will be qualified and will be tax-free. The beneficiary is also considered to have met the 5-year rule.

Any and all distributions to a beneficiary will be qualified and will be tax-free once the 5-year rule has been met by adding together the time the beneficiary has had the inherited Roth IRA with the time it had been maintained by the Roth IRA accountholder. The reason code "Q" is used to report any Roth IRA distribution which is qualified. In order to be qualified for reporting purposes, the 5-year rule must have been met and the distribution must be because the IRA owner is age 59½ or older or is disabled or because the IRA owner had died and the beneficiary is paid a distribution.

Code 4 is never used on the Form 1099-R to report that a distribution was paid to a Roth IRA beneficiary. Code 4 is only used to report distributions to a traditional IRA beneficiary.

For preparing Form 1099-R purposes, the financial institution serving as the custodian at the time of the decedent's Roth IRA only considers the time it has held the decedent's Roth IRA funds or the inherited Roth IRA. It does not consider the time the individual had his or her Roth IRA at another financial institution. For example, Jane Doe set up her Roth IRA with First National Bank in 2009 by transferring in $30,000. She died in March of 2011. Originally, she had established her Roth IRA with First State Bank in 2004. Jane Doe had met the five-year requirement needed to have a qualified distribution. Every distribution to her inheriting beneficiary will be a qualified distribution.

However, the five-year rule had not been met at First National Bank. It must prepare the Form 1099-R using reason code "T." The 5-year rule will not be met at First National Bank until December 31, 2013. Any distributions from First National Bank to her beneficiary(ies) in 2012 and 2013 will be coded "T." The beneficiary may attach a note to his or her tax return explaining, notwithstanding the fact that the Form 1099-R shows a distribution code "T", such distribution is tax-free since the 5-year requirement was met since the original Roth IRA had been set up at another custodian. Any distribution to a beneficiary after December 31, 2013, will be code a "Q."

If it is now assumed that Jane Doe had first established her Roth IRA in 2009 with First National Bank and that there was no prior Roth IRA established with any other financial institution, then Jane had NOT met the five-year requirement. Consequently, any distribution to her beneficiary will be non-qualified (reason code T) until the five-year requirement has been met.

Even so, almost all Roth IRA distributions to a beneficiary will not be taxed since he or she will have withdrawn nontaxable basis and not taxable earnings. The tax law defines the order of withdrawals from a Roth IRA to be: annual contributions are distributed first, then conversion contributions in order of time made, and then earnings come out last. Almost all nonqualifed distributions to a beneficiary during the 5-year period will be comprised of nontaxable basis; and once the 5 year rule has been met, all distributions will be qualified and tax-free.

Example. Ellen Roe, age 62, converted $80,000 to her Roth IRA in 2011. She established her Roth IRA in 2011. She included $80,000 in income for 2011 (and paid

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taxes). Ellen dies in April of 2012. Her daughter, Michelle, is her sole beneficiary. Michelle will be age 35 in 2013.

Michelle will need to be paid an RMD for 2013 and every year thereafter until 2061. Since Michelle is age 35 in 2013, the initial divisor from the Single Life Table is 48.5. To determine the divisor for subsequent years, subtract 1.0 from 48.5 for each subsequent year. This inherited Roth IRA will be required to be disclosed in 2061, the year the divisor will be 0.5.

The three required distributions to be made to Michelle for 2013-2015 will be nonqualified (reason code T) since the 5 year requirement will not be met until December 31, 2015. The 2016 distribution and any subsequent year's distribution will be a qualified distribution (reason code "Q"). This is true whether the required distribution is made to Michelle or Michelle's beneficiary after she dies.

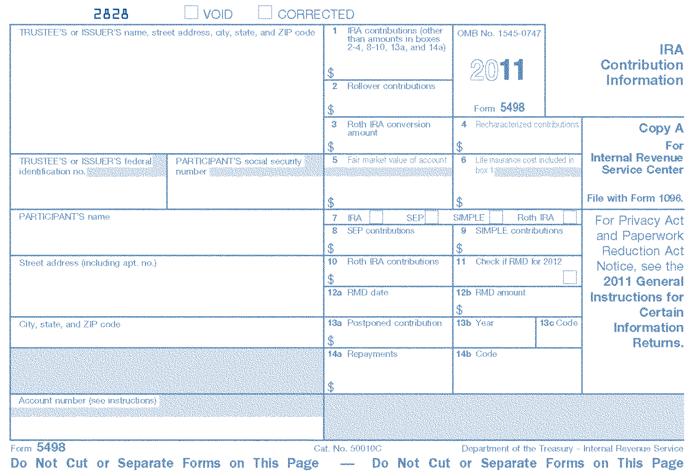
The two tables on the insert show the tax-free income to be withdrawn from the inherited Roth IRA over the 48 year time period. Table #1 assumes an annual earnings rate of 3% and Table #2 assumes an annual earnings rate of 8%. Note the growth difference. If only the minimum amount is withdrawn each year, under Table 1 (3%), $194,173 will be distributed tax-free to the beneficiary(ies). Under Table 2 (8%), $1,039,655 will be distributed tax-free to the beneficiary(ies). What a tremendous gift to give someone their Roth IRA! ◆

Deadlines for 2011 5498 Forms

This newsletter contains a number of articles discussing the 2011 IRS Form 5498. The chart below lists the various form types and due dates. We also discuss the completing of the 2011 Form 5498-SA. See page 8.

Type of IRA	Type of Form	Due to IRA Owner	Due to IRS
Traditional	5498	5/31/12	5/31/12
Roth	5498	5/31/12	5/31/12
HSA	5498-SA	5/31/12	5/31/12
CESA	5498-ESA	4/30/12	5/31/12

Final Review 2011 Form 5498


2828 VOID CORRECTED
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code
1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a) $
2 Rollover contributions $
OMB No. 1545-0747
2011
Form 5498
IRA Contribution Information
3 Roth IRA conversion amount $
4 Recharacterized contributions $
Copy A For Internal Revenue Service Center
TRUSTEE'S or ISSUER'S federal identification no.
PARTICIPANT'S social security number
5 Fair market value of account $
6 Life insurance cost included in box 1 $
File with Form 1096.
PARTICIPANT'S name
7 IRA SEP SIMPLE Roth IRA
8 SEP contributions $
9 SIMPLE contributions $
Street address (including apt. no.)
10 Roth IRA contributions $
11 Check if RMD for 2012
12a RMD date
12b RMD amount $
City, state, and ZIP code
13a Postponed contribution $
13b Year
13c Code
14a Repayments $
14b Code
For Privacy Act and Paperwork Reduction Act Notice, see the 2011 General Instructions for Certain Information Returns.
Account number (see instructions)
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

1. **On the bottom left** there is an "Account Number" box. The IRA custodian is required to insert an account number in this box when filing more than one Form 5498 for the same person. If your institution wants to earn some bonus points with the IRS, you will complete this box even though it is not required. A unique number should be used. Using such a number helps the IRS to process corrected information accurately. The account number may be a checking or savings account number or some other unique number with respect to an individual. The number must not appear anywhere else on the form (i.e. it cannot be the social security number).
2. **In Box 7** only one of the 4 boxes must be checked to indicate the type of IRA. A person who has a traditional IRA, SEP IRA and Roth IRA would need to be furnished three 5498 forms.
3. **Box 1. IRA Contributions** (other than amounts in boxes 2-4, 8-10, 13a and 14a). Enter the amount of the annual contributions made on or after January 1, 2011 through April 17, 2012 as designated for 2011. The IRA custodian is to report the gross amount of the annual contributions even if such contributions are excess contributions, or will be later recharacterized. These are still to be reported. A traditional IRA contribution, which is not properly reported in one of the other traditional IRA boxes as discussed below, is to be reported in box 1. For example, if a person tries to roll over $28,000, but does so on day 70 and the IRA custodian learns of

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**2011 Form 5498,
Continued from page 5**

this fact prior to filing the current year's Form 5498, then the IRA custodian must report this $28,000 in box 1. This same procedure would apply if somehow non-IRA funds had been mistakenly transferred into an IRA.

4. **Box 2. Rollover Contributions.** Enter the amount of the rollover contributions made on or after January 1, 2011 through December 31, 2011. Made means received by the traditional IRA custodian. Also, enter those contributions which are treated as a rollover contribution (i.e. direct rollover).

   A rollover may either be an indirect rollover or a direct rollover.

   An indirect rollover means the paying plan (could be an IRA or an employer plan) issues the distribution check to the individual who then makes a rollover contribution by the 60 day deadline. A 60 day indirect rollover may occur between two traditional IRAs, two SEP-IRAs, or between a traditional IRA and a SEP-IRA or vice versa.

   Remember that nonspouse IRA beneficiaries are ineligible to roll over a distribution from one inherited IRA and redeposit it into another inherited IRA.

   A direct rollover occurs when an employer plan issues the check to the IRA custodian on behalf of the individual. By definition, a direct rollover cannot occur between IRAs. Employer plan means a qualified plan, section 403(b) plan or a governmental section 457(b) plan. The funds attributable to a nonspouse beneficiary of such plans are eligible to be directly rollover to an inherited IRA and would be reported in Box 2.

5. **Box 3. Roth IRA Conversion Amount.** This box will be completed when a conversion contribution is made to a Roth IRA.

6. **Box 4. Recharacterized Contributions.** The IRS instructions are very brief, "Enter any amounts recharacterized plus earnings from one type of IRA to another." If a person had made either an annual contribution or a conversion contribution to a Roth IRA in either 2010 and/or 2011, he or she may elect to recharacterize it as adjusted by earnings or losses to be traditional IRA contribution in 2011. The total amount recharacterized is to be reported in box 4. Although the IRS instructions use the term, "plus earnings", the IRS should use the term, "plus or minus earnings or losses."

7. **Box 5. Fair Market Value of Account.** The IRS instructions for this box are also very brief, "Enter the FMV of the account on December 31."

   The IRS added a caution to self-directed and trust IRAs as follows: "Trustees and custodians are responsible for ensuring that all IRA assets (including those not traded on established markets or with otherwise readily determinable market value) are valued annually at their fair market value."

   The instruction to report the FMV as of December 31 applies whether there is a living IRA accountholder or an inheriting IRA beneficiary.

   If the IRA accountholder or inheriting beneficiary is alive as of December 31, the individual closed his or her IRA during the year by taking a total distribution and he or she made no "reportable contribution", then the IRA custodian is not required to prepare and file the Form 5498. **However, if the IRA accountholder or inheriting beneficiary died during the year, the IRA custodian will need to prepare a final Form 5498 for the deceased IRA accountholder or inheriting beneficiary as discussed below.**

   With respect to a deceased accountholder or a deceased inheriting IRA beneficiary, the IRS gives the IRA custodian two options. Option #1 - report the FMV as of the date of death. Option #2 - report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because the IRA custodian will be reporting the end of year value on the Form 5498's for the beneficiary or beneficiaries. If Option #2 is used, the IRA custodian must inform the executor or administrator of the decedent's estate of his or her right to ask for the FMV as of the date of death.

   If the IRA custodian does not learn of the individual's death until after the filing deadline for the Form 5498 (i.e May 31), then it is not required to prepare a corrected Form 5498. However, an IRA custodian must still furnish the FMV as of the date of death if requested to do so.

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8. **Box 6. Life Insurance cost included in box 1.** An IRA custodian will normally leave this box blank or will insert a 0.00 since it is only to be completed if there was a contribution to an IRA endowment contract as sold by an insurance company a long time ago.
9. **Box 8. SEP Contributions.** Any SEP contributions made to the IRA custodian during 2011 are to be reported in box 8. Such contributions could have been for 2010 or 2011.
10. **Box 9. SIMPLE Contributions.** Any SIMPLE-IRA contributions made during 2011 are to be reported in box 9. Such contribution could have been for 2010 or 2011.
11. **Box 10. Roth IRA Contributions.** Any Roth IRA contributions for 2011 are to be reported in box 10 as long as made between January 1, 2011 and April 17, 2012.
12. **Box 11. Check if RMD for 2012.** An IRA custodian is required to check this box if the IRA accountholder attains age $70^1/_2$ or older during 2012. The instructions do not discuss whether or not this box is to be checked for an inheriting traditional IRA beneficiary. It should not be checked for an inherited IRA. Completing this box is necessary only if the IRA custodian is required to prepare a 2011 Form 5498 for a person. This box is not checked with respect to an individual who died during 2011 and who would have attained age $70^1/_2$ or older during 2012 had he or she lived.
13. **Boxes 12a (RMD date) and 12b (RMD Amount).** An IRA custodian's use of these two boxes is optional, it is not mandatory.

    Under current IRS procedures, the IRS does not require the traditional IRA custodian to furnish it with the RMD amount. The law is unsettled whether or not the IRS has the legal authority to require that an IRA custodian furnish the RMD amount. Since the IRS would like to be furnished this information, the IRS has added boxes 12a and 12b to the Form 5498.

    The approach adopted by the IRS is that a traditional IRA custodian by completing boxes 11, 12a and 12b on the Form 5498 and furnishing it to the IRA accountholder will meet the requirement that it must furnish a RMD Notice by January 31. The IRS instructions do permit the IRA custodian to furnish a separate Form 5498 with the only information being furnished is the information for boxes 11, 12a and 12b.
14. **Box 13a. Postponed contribution(s).** Since we are discussing completing the Form 5498 for a traditional IRA, we will discuss what needs to be done for postponed contributions to a traditional IRA. The individual will instruct you on an IRA contribution form the "prior" year or years for which he or she is making the postponed contribution(s). The individual must designate the IRA contribution for a prior year to claim it as a deduction on the income tax year.

    Postponed contributions may be made by individuals who have served in a combat zone or hazardous duty area or individuals who are "affected taxpayers" due to federally designated disasters.

    If the IRA custodian will report the contribution made after April 15 and the individual designates a contribution for a prior year, then the IRA custodian must prepare either (1) a Form 5498 for the year for which the contribution was made or (2) on a Form 5498 for a subsequent year.

    Under approach #1, the IRA custodian may choose to report the contribution for the year it is made. For example, if an individual in September of 2011 designated a contribution of $5,000 to a traditional IRA for 2009. The IRA custodian could choose to prepare a 2009 Form 5498 and report the $5,000 contribution in box 1. If the IRA custodian had not prepared a 2009 Form 5498 for this individual, the IRA custodian then would prepare an original Form 5498. If the IRA custodian had previously prepared a 2009 Form 5498 for this individual, the IRA custodian then would prepare a "corrected" Form 5498.

    Under approach #2, if the the IRA custodian is furnished a contribution after April 15, the IRA custodian may choose to report it on that year's Form 5498. The amount of the contribution must be reported in box 13a and the year for which the con-

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tribution was made in box 13b and in box 13c the applicable code as follows:

AF - Allied Force

EF - Enduring Freedom or

IF - Iraqi Freedom

FD - Affected taxpayers of designated disaster area.

Definition. 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 the prior year. The period of time is the time the individual was in the designated zone or area plus at least 180 days.

15. Box 14a. Repayments. A traditional IRA accountholder who has taken a distribution under special disaster rules or who has taken a qualified reservist distribution is eligible to repay the distribution even though such repayment does not qualify as a rollover. Enter the amount of the repayment(s).

Box 14b. Code. Enter the applicable code for the type repayment(s):

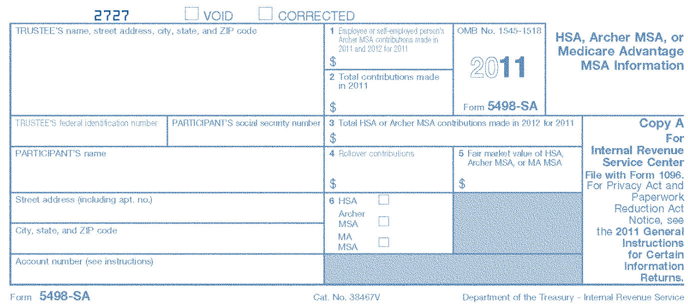
QR - repayment to a qualified reservist

DD - repayment of a federally designated disaster distribution.

Note that repayments only have one reporting procedure whereas postponed contributions have two reporting procedures.

16. Duty To Prepare/Furnish Corrected Form 5498. An IRA custodian is required to prepare a corrected form 5498 as soon as possible after it learns there is an error on the original form as filed. The IRS furnishes the following example. "If you reported 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 (even if the amount exceeds the regular contribution limit), you must file a corrected For 5498. ◆

Completing the 2011 Form 5498-SA


2727 ☐ VOID ☐ CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code

1 Employee or self-employed person's Archer MSA contributions made in 2011 and 2012 for 2011 $

2 Total contributions made in 2011 $

OMB No. 1545-1518

2011

Form 5498-SA

HSA, Archer MSA, or Medicare Advantage MSA Information

TRUSTEE'S federal identification number

PARTICIPANT'S social security number

3 Total HSA or Archer MSA contributions made in 2012 for 2011 $

PARTICIPANT'S name

4 Rollover contributions $

5 Fair market value of HSA, Archer MSA, or MA MSA $

Street address (including apt. no.)

City, state, and ZIP code

6 HSA ☐ Archer MSA ☐ MA MSA ☐

Account number (see instructions)

Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2011 General Instructions for Certain Information Returns.

Form 5498-SA Cat. No. 38467V Department of the Treasury - Internal Revenue Service

Completing the Form 5498-SA is, for the most part, self evident. This form is used either to report contribution activity to an HSA or to one of the two types of MSAs. This article discusses completing the form for HSA contributions. It does not discuss completing the form for MSA purposes.

Set forth below are the IRS instructions as modified by CWF.

1. Statements to participants. If you are required to file Form 5498-SA, you must provide a statement to the participant (generally Copy B) by May 31, 2012. You may, but you are not required to, provide participants with a statement of the December 31, 2011, fair market value.
2. Box 1 will not need to be completed for an HSA, since it applies only to MSA contributions.
3. Box 2 is to be completed with the total of HSA contributions made in 2011. Such contributions could have been for 2010 or 2011.
4. Box 3 is to be completed with the total of HSA contributions made in 2012 for 2011.
5. Box 4 is to be completed with the total of rollover contributions as originating from an Archer MSA, or an HSA to an HSA, as received by the HSA custodian during 2011.
6. Box 5 is to be completed with the fair market value of the HSA on December 31, 2011.
7. Box 6 – simply check the "HSA" box. ◆

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Inherited Roth IRA RMD Schedule for Michelle

TABLE 1

Year	Balance as of Jan. 1	RMD Divisor	Earnings 3%	Distributions	(Q)ualified (NQ)ualified	Balance as of Year-End
2013	$84,900	48.5	$2,547	$1,751	NQ	$85,696
2014	$85,696	47.5	$2,571	$1,804	NQ	$86,483
2015	$86,463	46.5	$2,594	$1,859	NQ	$87,198
2016	$87,198	45.5	$2,616	$1,916	Q	$87,897
2017	$87,897	44.5	$2,637	$1,975	Q	$88,559
2020	$89,757	41.5	$2,693	$2,163	Q	$90,287
2030	$92,308	31.5	$2,769	$2,930	Q	$92,146
2035	$90,486	26.5	$2,715	$3,415	Q	$89,786
2040	$85,637	21.5	$2,569	$3,983	Q	$84,223
2045	$76,794	16.5	$2,304	$4,654	Q	$74,444
2050	$62,728	11.5	$1,882	$5,455	Q	$59,155
2055	$41,832	6.5	$1,255	$6,436	Q	$36,651
2060	$11,775	1.5	$353	$7,850	Q	$4,278
2061	$4,278	1.0	$128	$4,406	Q	0
Total Earnings and Distributions			$109,273	$194,173		

TABLE 2

Year	Balance as of Jan. 1	RMD Divisor	Earnings 8%	Distributions	(Q)ualified (NQ)ualified	Balance as of Year-End
2013	$84,900	48.5	$6,792	$1,751	NQ	$89,941
2014	$89,941	47.5	$7,195	$1,804	NQ	$95,243
2015	$95,243	46.5	$7,619	$2,048	NQ	$100,815
2016	$100,815	45.5	$8,065	$2,216	Q	$106,664
2017	$106,664	44.5	$8,533	$2,397	Q	$112,800
2020	$125,964	41.5	$10,077	$3,035	Q	$133,006
2030	$210,732	31.5	$16,859	$6,690	Q	$220,901
2035	$263,898	26.5	$21,112	$9,958	Q	$275,051
2040	$319,599	21.5	$25,568	$14,865	Q	$330,302
2045	$367,704	16.5	$29,416	$22,285	Q	$374,835
2050	$387,120	11.5	$30,970	$33,663	Q	$384,427
2055	$336,174	6.5	$26,894	$51,719	Q	$311,348
2060	$130,050	1.5	$10,404	$86,700	Q	$53,754
2061	$53,754	1.0	$4,300	$58,054	Q	0
Total Earnings and Distributions			$954,755	$1,039,655		