The Pension Digest

October 2012
Published Since 1984

ALSO IN THIS ISSUE –

New IRA Contribution Limits for 2013 – $5,500 and $6,500

After many years, the maximum IRA contribution limits for 2013 will be $500 larger. For 2008-2012, if a person was not age 50 as of December 31, then his or her maximum contribution was $5,000 assuming he or she had compensation of at least $5,000. This limit increases to $5,500 for 2013. For 2008-2012, if a person was age 50 or older as of December 31, then his or her maximum contribution was $6,000. This limit increases to $6,500 for 2013. The annual catch-up contribution limit for individuals age 50 or older remains at $1,000. Hopefully, contributions for 2013 will be larger than those for 2012 and end the recent decrease in IRA contributions.

Contribution limits for a person who is not age 50 or older.

Tax Year	Amount
2008	$5,000
2009	$5,000
2010	$5,000
2011	$5,000
2012	$5,000
2013	$5,500

Contribution Limits for a person who is age 50 or older.

Tax Year	Amount
2008	$6,000
2009	$6,000
2010	$6,000
2011	$6,000
2012	$6,000
2013	$6,500

IRS Issues 2013 COLAs

IRS Announces Cost-of-Living Adjustments for 2012
The IRS in News Release No. IR-2011-103 Released its 2012 Adjustments as Follows:

	2010	2011	2012	2013
Taxable Wage Base — OASDI Only	$106,800	$106,800	$110,100	$113,700
SEP and Qualified Plan Maximum Compensation Cap – 401(a)(17) & 404(e)	$245,000	$245,000	$250,000	$255,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	$16,500	$16,500	$17,000	$17,500
Elective Deferral Catch-up Limit	$5,500	$5,500	$5,500	$5,500
SIMPLE Deferral Limit – 408(p)(2)(A)	$11,500	$11,500	$11,500	$12,000
SIMPLE Catch-up Limit	$2,500	$2,500	$2,500	$2,500
Highly-Compensated Employees (Compensation as Indexed)	$110,000	$110,000	$115,000	$115,000
Defined Benefit Limit – Section 415(b)(1)(A)	$195,000	$195,000	$200,000	$205,000
Defined Contribution Limit – Section 415(c)(1)(A)	$49,000	$49,000	$50,000	$51,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	$550	$550	$550	$550
Key Employee Top Heavy — 41(i)(ii)(a)(i)	$160,000	$160,000	$165,000	$165,000

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

IRA Contribution Deductibility Chart for 2012

(for participants and/or spouses in employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single

Below $58,001	Entitled to full deduction
$58,001-$67,999.99	Entitled to prorated deduction amount - use special formula**
$68,000 or over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $58,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered

Below $92,001	Entitled to full deduction
$92,001 - $111,999.99	Entitled to prorated deduction amount - use special formula**
$112,000 or Over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $92,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered

Below $92,001	Fully Deductible
$92,001-$111,999.99	Entitled to prorated deduction amount - use special formula**
$112,000 or over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $92,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below $173,001	Fully Deductible
$173,001-$182,999.99	Entitled to prorated deduction amount - use special formula**
$183,000 or over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $173,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below $10,000	Entitled to prorated deduction amount - use special formula**
$10,000 or Over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

*Any amount determined under this formula which is not a multiple of $10 shall be rounded to the next lowest $10.

However, an IRA accountholder will be able to deduct a minimum of $200 as long as his or her AGI is not above the phase-out range (base amount plus $10,000).

IRA Contribution Deductibility Chart for 2013

(for participants and/or spouses in employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single

Below $59,001	Entitled to full deduction
$59,001-$68,999.99	Entitled to prorated deduction amount - use special formula**
$69,000 or over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $59,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered

Below $95,001	Entitled to full deduction
$95,001 - $114,999.99	Entitled to prorated deduction amount - use special formula**
$115,000 or Over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $95,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered

Below $95,001	Fully Deductible
$95,001-$114,999.99	Entitled to prorated deduction amount - use special formula**
$115,000 or over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $95,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below $178,001	Fully Deductible
$178,001-$187,999.99	Entitled to prorated deduction amount - use special formula**
$188,000 or over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $178,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below $10,000	Entitled to prorated deduction amount - use special formula**
$10,000 or Over	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

*Any amount determined under this formula which is not a multiple of $10 shall be rounded to the next lowest $10.

However, an IRA accountholder will be able to deduct a minimum of $200 as long as his or her AGI is not above the phase-out range (base amount plus $10,000).

Roth IRA Contribution Chart for 2013

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $112,000	Entitled to full contribution amount
$112,000-$126,999.99	Entitled to prorated contribution amount–use special formula*
$127,000 or over	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $112,000/$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Jointly

Below $178,000	Entitled to full contribution amount.
$178,000-187,999.99	Entitled to prorated contribution amount–use special formula.*
$188,000 or over	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $178,000/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Separate Returns

$0-$9,999.99	Entitled to prorated contribution amount–use special formula*
$10,000 or Over	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Roth IRA Contribution Chart for 2012

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $110,000	Entitled to full contribution amount
$110,000-$124,999.99	Entitled to prorated contribution amount–use special formula*
$125,000 or over	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $110,000/$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Jointly

Below $173,000	Entitled to full contribution amount.
$173,000-182,999.99	Entitled to prorated contribution amount–use special formula.*
$183,000 or over	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $173,000/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Separate Returns

$0-$9,999.99	Entitled to prorated contribution amount–use special formula*
$10,000 or Over	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

SEP and SIMPLE Limits

	2010	2011	2012	2013
Maximum SEP Contribution	$49,000	$49,000	$50,000	$51,000
Maximum SIMPLE Deferral (Under age 50)	$11,500	$11,500	$11,500	$12,000
Maximum SIMPLE Deferral (Under Age 50 & older)	$14,000	$14,000	$14,000	$14,500

Saver's Credit Limits for 2013

The applicable percentage for 2013 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$35,500	50%
$35,500	$38,500	20%
$38,500	$59,000	10%
$59,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$26,625	50%
$26,625	$28,875	20%
$28,875	$44,250	10%
$44,250	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$17,750	50%
$17,750	$19,250	20%
$19,250	$29,500	10%
$29,500	N/A	0%

Saver's Credit Limits for 2012

The applicable percentage for 2012 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$34,500	50%
$34,500	$37,500	20%
$37,500	$57,500	10%
$57,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$25,875	50%
$25,875	$28,125	20%
$28,125	$43,125	10%
$43,125	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$17,250	50%
$17,250	$18,750	20%
$18,750	$28,750	10%
$28,750	N/A	0%

Using "Rollover" or "Conduit" in an IRA Title is no Longer Needed

Set forth below is a email we recently received along with our response.

E-Question(s)

We are discussing the 'titling' of our accounts – do we need to name our accounts based on where the funds came from? Do we need to worry about Co-mingling these funds?

New $ IRA – **John Doe IRA**

From Qualified Plan – **John Doe IRA Rollover**

From another financial Institution – **John Doe IRA Transfer**

I understand that at one point it was important b/c we were limited on where we could rollover funds into – I looked through the IRA Manual and found the attached. Do you know what 'capital gains issues' they are speaking of?

E-Answer

You have asked two questions. I presume you are asking about funds being rolled over or transferred into traditional IRAs and Roth IRAs. I presume you are not asking about funds being rolled into 401(k) or other employer sponsored plans.

You are not required to name your new IRA accounts or deposits based on what type of plan the money came from. Once money is permissibly contributed to an IRA it is IRA money and the IRA taxation/distribution rules apply. It is up to the individual and the tax advisor to understand if any portion of such IRA is basis as it is nontaxable when distributed.

Naming an account to reference a current transfer is unnecessary. The funds may have been transferred from IRA custodian/trustee #1 to IRA custodian/trustee #2, but the IRA funds at IRA custodian/trustee #1 could have arisen from annual contributions, rollovers or another transfer. This historical information is generally not the concern of IRA custodian/trustee #2. Having transfer in the title adds nothing of any meaning.

In prior times, an IRA custodian/trustee often titled an IRA as a conduit rollover IRA if the funds had come from an employer sponsored pension plan. This was important because former Law provided that a person was able to rollover IRA money into an employer sponsored plan only if the IRA funds had originated from a pension plan and such funds had not been commingled with annual contributions. For many years now an individual has been able roll over any taxable IRA funds into a 401(k) plan or other employer plan if such plans are authorized to receive such rollovers.

Although an IRA custodian/trustee may consider titling an IRA as a rollover IRA if it is wishes for customer service reasons, an IRA is a conduit IRA if the funds in the IRA arose from an employer sponsored plan and have never been commingled. The fact that an IRA custodian/trustee does not title the IRA as rollover IRA does not mean the IRA is not and has not been a conduit IRA. The Individual has the duty to demonstrate to the IRS or pension plan administrator that the IRA funds have never been commingled. The IRA custodian/trustee may assist since it will know during the time it has had the IRA whether or not there has been any commingling.

Individuals born on or before January 1, 1936, may be eligible to take a lump sum distribution from certain employer sponsored plans. Special tax rules may apply – capital gain rules and 10-year averaging rules. Publication 575 should be reviewed for an explanation of the capital gain rules and the 10-year averaging rules.

It will be a rare situation that these rules need to be considered in 2012 since a person would be age 76 and taking his or her first distribution from the employer plan. Distributions to individuals covered by a one person plan would not apply since the owner or any other 5% owner is required to take an annual RMD for the year he or she attains age 70½.

In summary, we at CWF suggest an IRA custodian/trustee should no longer title an IRA as a rollover IRA or as a conduit IRA. Existing IRAs with such titles should be changed.

The Pension Digest

Email Q & A

Q-1 Subject: IRA Transfer

I have a customer who rolled over her pension and 401(k) plan into a traditional IRA with our institution. She is now requesting that we do a transfer to a traditional IRA with a different institution. Since it is traditional to traditional do I do a transfer? Or, since the original funds were rolled over do I code as a rollover?

A-1

It may be handled as a transfer. The fact that a previous transaction was either a rollover or a transfer does not mean that the current transaction cannot be a transfer. In your case the previous transaction was a direct rollover from a 401(k) plan and a pension plan into an IRA. Once the funds are in a traditional IRA, the funds may then be transferred to another IRA, or if the person will comply with the rollover rules, she may roll them to another IRA. As a like-kind transfer, it will be nonreportable for Form 1099-R purposes.

Q-2 Subject:
Duty to Prepare a Corrected Form 1099-R

When the 2011 1040 taxes were prepared based on the 1099-R which indicated that it was a "regular" distribution (code 7) vs. "death" distribution (code 4), should the 2011 taxes be amended to correct the type of distribution?

Whether it was a "regular" distribution or "death" distribution, does the distribution info go in same place on the 1040 tax form or are they on separate areas of taxes?

A-2

The 2011 Form 1099-R needs to be corrected to show the reason code 4 rather than the 7.

IRS procedures require a correction any time a reporting form has not been prepared correctly. The IRS does not define what errors do not require a correction to be prepared.

Having said the above, both the 7 and the 4 inform the IRS the 10% tax is NOT owed. From a practical standpoint one could argue why does the form need to be corrected since it does not change the tax results. However, the IRS does not adopt this approach. Again, IRS procedures require a correction to be made to the 2011 Form 1099-R since the reason code was wrong.

The fact that a corrected 1099-R form is sent to the IRS and the individual does not mean the individual will necessarily have to prepare a corrected tax return. Sometimes a amended return will need to be prepared and other times not.

In this beneficiary's situation, I presume the individual reported the IRA beneficiary distribution on lines 15a (gross amount) and 15b (taxable amount) of his 2011 tax return. The reporting on lines 15a and b does not change on account of the coding error for the distribution. The individual is not required to amend the 2011 return. The IRS and the individual will be sent the corrected 2011 Form 1099- R and presumably the IRS will notify the individual if the IRS believes the matter has not been handled properly.

Q-3 Subject: Reporting a CESA Distribution

I am requesting information on the Coverdell Education Savings in regards on how to complete the CWF form CESA #57-CE. This is my first customer taking a distribution and I have no directions to follow. Is there anything that you can send to help me complete this document.

A-3

I will try to help. I realize there is substantial small print on the Form 57-CE. Hopefully, your version of the CESA distribution form is dated 9/09.

The bank as the CESA custodian will in January of 2013 prepare a Form 1099-Q to report this 2012 distribution. On the right hand side of the distribution form there are lines 7-17 which you may complete if you wish, but you are not required to. If you want, you could just complete line 12 with the amount of the distribution. This is the amount which would be reported on the Form 1099-Q.

The fact that a distribution is reported to the IRA/recipient does not mean the recipient will pay tax on the total distribution. If the entire withdrawn amount is used to pay a qualified education expense, then no portion of

Continued on page 6

Email Q & A,
Continued from page 5

the distribution is taxable. However, if the entire amount is not used to pay a qualified education expense, then a portion of the distribution will be taxable and subject to 10% penalty tax.

When a person withdraws funds from the CESA and does not use it to pay a qualified education expense, then there will be taxable portion and a nontaxable portion. Under current IRS procedures the bank is NOT required to make this determination. A portion of the distribution will be earnings or interest and this is taxable if not used to pay a qualified education expense. A portion of the distribution will be the return of a portion of the contributions and this amount is not taxable. A standard prorata formula is used.

Return of contributions equals Total Amount x Basis(contributions within CESA)/Total CESA Balance from Amount Withdrawn

Return of earnings equals Total CESA balance -returns of contributions within the total distribution

The form uses the term "basis." Basis are the contributions still within the CESA. When there is a withdrawal, part of the distribution is the return of basis and a part is the return of earnings.

Most financial institutions take the approach where they do not calculate basis/earnings or taxable/nontaxable. This is left up to the individual and the tax preparer to explain on the tax return.

Q-4 Subject: IRA Record Retention

My supervisor and I have just completed a two day IRA school. We were informed that record retention of all IRA documents is forever.

In the past we were informed record retention is 10 years after a Plan has been closed. We brought that up in the class we attended and it was clarified to us that if a Plan has been transferred to an Inherited IRA, it would be 10 years after the Inherited Plan was closed.

We need to know specifically, how long we need to keep our records. We need to know regarding paper files and electronic files. Do we need to keep both and for how long?

A-4

Here is my summary of IRA record retention. The statement that all IRA records must be maintained forever is overly broad and is unreasonable.

There is no doubt that the IRS and the banking regulators need to address this subject and give meaningful guidance.

An IRA is a tax preferred revocable trust. An IRA custodian has certain duties under the IRA document and under IRS procedures.

Certain rules apply while the IRA is in existence and others apply once the IRA is closed. Most states apply the statute of limitations for contracts to IRAs. No need to retain IRA records once this period has run for closed IRAs. An IRA is not closed just because the IRA owner has died.

The IRA custodian must always be able to prove that the IRA is currently tax qualified and has always been tax qualified. All plan agreements and amendments must be maintained.

The IRA custodian may decide what its policy will be regarding retaining beneficiary designation forms. We would suggest keeping them all, but an IRA custodian could adopt a policy of only keeping the most current designation form.

Contribution, Distribution and Other AdmInistrative IRA Forms. The IRA custodian/trustee must be able to furnish the individual with a proper accounting with respect to the IRA. The most conservative approach then is to keep a copy of all contribution forms, all rollover certification forms, distribution forms, payments of interest, other administrative forms, etc. However, the law in unclear if the IRS or any banking regulator has such a requirement.

The IRA custodian/trustee performs IRS reporting duties - 1099-R 's, 5498 's and FMV statements. The IRS has the administrative rule to retain the most current 4 years. Being conservative we would recommend keeping these records (if electronic) for as long as possible until the IRS or the banking regulators issue their guidance.

Most IRA plan agreement forms containing an "accounting" provision that states that the IRA owner

Continued on page 7

The Pension Digest

Email Q & A,
Continued from page 6

has the duty to review the statements/IRS forms he or she is furnished and they are deemed correct unless the IRA owner notifies them of an error or errors within a certain time period. This provision is used by some institutions to discard contribution forms and distribution forms which are 5 years or older.

Guidance by the IRS and the banking regulators is needed.

Protect Against Fraudulent Rollover or Transfer Contributions

A financial institution acting as an IRA custodian wants to have procedures in place restricting an IRA accountholders right to withdraw IRA funds if he or she has opened a new IRA by either making a rollover contribution or a transfer contribution. The check must clear or be settled before the IRA accountholder is allowed to take a distribution, including a distribution paid when a person revokes his or her IRA.

Fraudulent transactions are occurring with respect to purported rollover contributions. For example, an individual makes a rollover contribution of $30,000 on Monday by endorsing a check issued by a nonexistent company either to the individual or the financial institution. On Thursday, the individual comes into the financial institution and withdraws the $30,000. The individual sometimes will instruct to have 10% or 20%, of federal income tax withheld from the IRA which revokes/closes the IRA For purposes of this article, we will assume the individual instructed to have 15% withheld ($30,000 x 15%) or $4,500. Some time the following week, it is determined the rollover check was fraudulent.

The IRS has issued little guidance as to how the IRA custodian is to report the fraudulent IRA contribution of $30,000 and the related distributions and the interplay between the revocation rule and the Truth in Savings Rules.

The contribution is not to be reported as a rollover contribution on the Form 5498 since there was no distribution from a qualifying pension plan or IRA. The contribution of $30,000 would need to be reported in box 1 of the Form 5498. This contribution is an excess contribution, but the withdrawal does serve to correct the excess contribution.

The IRA custodian remitted the $4,500 of withholding to the IRS soon after the individual took the $30,000 distribution. Although we could not get an IRS representative to confirm it, the IRA custodian should be able to get its $4,500 returned by off-setting its $4,500 payment against a future tax withholding payment. Withholding only applies to a distribution if it is subject to being taxed; this distribution is not, since it was the withdrawal of an excess contribution.

An HSA Rollover is Often a Better Option than a Mistaken Distribution

We all make mistakes. Even an authorized signer for an HSA owner will make mistakes. Some mistakes are more expensive than others. Remember the current penalty tax for taking a nonqualified HSA distribution is 20% of the amount withdrawn, and the withdrawn amount must be included in the HSA owner's taxable income and will be taxable at whatever marginal tax rate applies to him or her. If the 35% rate applies to the individual, then he or she will pay 55% in taxes for a nonqualifying distribution.

Illustration. John has a power of attorney with respect to his wife Anne's HSA. He writes a check for $480 to pay the premium for their family dental insurance coverage of 4 months. John did not review Publication 502 before he mailed the HSA check three weeks ago. Publication 502 clearly indicates that paying the a premium for dental insurance is <u>not</u> treated as paying for a qualified medical expense. It is a nonqualified expense and the 20% penalty tax will apply.

Anne comes to your institution hoping to do something so she/they will not have to pay a tax rate of 55% on the $480 withdrawal or $264. She wants to return (i.e. contribute) $480 to the HSA checking account. You think to yourself, may the HSA custodian treat the situation as a mistaken distribution situation? What other options might exist?

It may be possible to make a rollover contribution. As

Continued on page 8

SEP/SIMPLE/401(k)/DB Limits for 2013

Code Section	2013	2012	2011	2010	2009	2008	2007	2006
402(g)(1) Elective Deferrals – 401(k)	$17,500	$17,000	$16,500	$16,500	$16,500	$15,500	$15,500	$15,000
414(v)(2)(B)(i) Catchup Contributions – 401(k)	$5,500	$5,500	$5,500	$5,500	$5,500	$5,000	$5,000	$5,000
408(p)(2)(E) Deferrals Limits – SIMPLE	$12,000	$11,500	$11,500	$11,500	$11,500	$10,500	$10,500	$10,000
414(v)(2)(B)(ii) Catchup Contributions – SIMPLE	$2,500	$250	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
457(e)(15) Deferrals Limits – 457 plans	$17,500	$17,000	$16,500	$16,500	$16,500	$15,500	$15,500	$15,000
415(c)(1)(A) – SEP and 401(k) Maximum Contribution Limits	$51,000	$50,,000	$49,000	$49,000	$49,000	$46,000	$45,000	$44,000
401(a)(17)/404(I) Annual Compensation	$255,000	$250,000	$245,000	$245,000	$245,000	$230,000	$225,000	$220,000
408(k)(3)(C) SEP Maximum Compensation	$255,000	$250,000	245,000	$245,000	$245,000	$230,000	$225,500	$220,000
408(k)(2)(C) SEP Minimum Compensation	$550	$550	$550	$550	$550	$500	$500	$450
Taxable Wage Base (TWB)	$113,700	$110,100	$106,800	$106,800	$106,800	$102,000	$97,500	$94,200
416(i)(1)(A)(i) Key EE	$165,000	$165,000	$160,000	$160,000	$160,000	$150,000	$145,000	$140,000
1.61-21(f)(5)(i) Control EE	$10,0000	$100,000	$95,000	$95,000	$95,000	$90,000	$90,000	$85,000
1.61-21(f)(5)(iii) Control EE	$205,000	$205,000	$195,000	$195,000	$195,000	$185,000	$180,000	$175,000
409(o)(17)(C)(ii) ESOP Limits	$1,03,5000 $205,000	$1,015,00 $200,000	$985,000 $195,000	$985,000 $195,000	$985,000 $195,000	$935,000 $185,000	$915,000 $180,000	$885,000 $175,000
414(b)(17)(A) HCE Threshold	$115,000	$115,000	$110,000	$110,000	$110,000	$105,000	$100,000	$100,000
415(b)(1)(A) DB Limits	$205,000	$200,000	$195,000	$195,000	$195,000	$185,000	$180,000	$175,000

HSA Rollover,
Continued from page 7

long as she will comply with the 60 day rule and the one rollover per year rules, she may rollover the $480. This is the most conservative approach for the HSA custodian/trustee and the HSA owner. IRS guidance on what type of distributions qualify as a mistaken distribution is limited,

In order to treat a distribution as a mistaken distribution, the HSA owner (or her power of attorney) must have had a reasonable basis for believing that paying the dental insurance premiums was a qualified medical expense. Publication 502 is very clear, "You cannot treat insurance premiums as qualified medical expenses unless the premiums are for: (1) long term care insurance; (2) health care continuation coverage such as coverage under COBRA; (3) health care coverage while receiving unemployment compensation under federal or state law; or (4) medicare and other health care coverage if you were 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap.)

Not understanding the HSA tax rules does not mean the mistaken distribution rules may be applied.

In summary, an HSA owner's power of attorney made a distribution for an expense he did not KNOW wasn't a qualified medical expense. He assumed it was qualified and he was wrong. The mistaken distribution rules cannot be used to correct this error, but the rollover rules may be used as long as there has not been another rollover within the last 12 months.