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ALSO IN THIS ISSUE –

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

IRA Contribution Limits for 2015 – Unchanged at $5,500 and $6,500; 401(k) Limits Increase

Inflation was approximately 1.7% for the fiscal quarter ending September 30, 2014, so many of the IRA and pension limits as adjusted by the cost of living factor have not changed or the changes have been quite small.

The maximum IRA contribution limits for 2015 for traditional and Roth IRAs did not change – $5,500/$6,500.

The 2015 maximum contribution limit for SEP-IRAs is increased to $53,000 (or, 25% of compensation, if lesser) up from $52,000. The minimum SEP contribution limit used to determine if an employer must make a contribution for a part-time employee increases to $600 from $550.

The 2015 maximum contribution limits for SIMPLE-IRAs is increased to $12,500 if the individual is under age 50 and $15,500 if age 50 or older.

The 2015 maximum elective deferral limit for 401(k) participants increases to $18,000 for participants under age 50 and to $24,000 for participants age 50 and older.

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

Tax Year	Amount
2008-12	$5,000
2013	$5,500
2014	$5,500
2015	$5,500

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

Tax Year	Amount
2008-12	$6,000
2013	$6,500
2014	$6,500
2015	$6,500

IRS Issues 2015 IRA/Pension Limits

IRS Announces Cost-of-Living Adjustments for 2015
The IRS in News Release No. IR-2014-99 Released its 2015 Adjustments as Follows:

	2012	2013	2014	2015
Taxable Wage Base — OASDI Only	$110,100	$113,700	$117,000	$118,500
SEP and Qualified Plan Maximum Compensation Cap – 401(a)(17) & 404(e)	$250,000	$255,000	$260,000	$265,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	$17,000	$17,500	$17,500	$18,000
Elective Deferral Catch-up Limit	$5,500	$5,500	$5,500	$6,000
SIMPLE Deferral Limit – 408(p)(2)(A)	$11,500	$12,000	$12,000	$12,500
SIMPLE Catch-up Limit	$2,500	$2,500	$2,500	$3,000
Highly-Compensated Employees (Compensation as Indexed)	$115,000	$115,000	$115,000	$120,000
Defined Benefit Limit – Section 415(b)(1)(A)	$200,000	$205,000	$210,000	$210,000
Defined Contribution Limit – Section 415(c)(1)(A)	$50,000	$51,000	$52,000	$53,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	$550	$550	$550	$600
Key Employee Top Heavy — 41(i)(ii)(a)(i)	$165,000	$165,000	$170,000	$170,000

IRA Contribution Deductibility Chart for 2014

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

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

Single

Below $60,001	Entitled to full deduction
$60,001-$69,999.99	Entitled to prorated deduction amount - use special formula**
$70,000 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 $60,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered

Below $96,001	Entitled to full deduction
$96,001 - $115,999.99	Entitled to prorated deduction amount - use special formula**
$116,000 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 $96,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered

Below $96,001	Fully Deductible
$96,001-$115,999.99	Entitled to prorated deduction amount - use special formula**
$116,000 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 $96,000/$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 $181,001	Fully Deductible
$181,001-$190,999.99	Entitled to prorated deduction amount - use special formula**
$191,000 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 $191,000/$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 2015

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

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

Single

Below $61,001	Entitled to full deduction
$61,001-$70,999.99	Entitled to prorated deduction amount - use special formula**
$71,000 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 $61,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered

Below $98,001	Entitled to full deduction
$98,001 - $117,999.99	Entitled to prorated deduction amount - use special formula**
$118,000 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 $98,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered

Below $98,001	Fully Deductible
$98,001-$117,999.99	Entitled to prorated deduction amount - use special formula**
$118,000 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 $98,000/$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 $183,001	Fully Deductible
$183,001-$192,999.99	Entitled to prorated deduction amount - use special formula**
$193,000 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 $193,000/$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).

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Roth IRA Contribution Chart for 2015

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $116,000	Entitled to full contribution amount
$116,000-$130,999.99	Entitled to prorated contribution amount–use special formula*
$131,000 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 $116,000/$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 $183,000	Entitled to full contribution amount.
$183,000-193,999.99	Entitled to prorated contribution amount–use special formula.*
$193,000 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 $183,000/$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 2014

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $114,000	Entitled to full contribution amount
$114,000-$128,999.99	Entitled to prorated contribution amount–use special formula*
$129,000 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 $114,000/$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 $181,000	Entitled to full contribution amount.
$181,000-190,999.99	Entitled to prorated contribution amount–use special formula.*
$191,000 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 $181,000/$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

	2012	2013	2014	2015
Maximum SEP Contribution	$50,000	$51,000	$52,000	$53,000
Maximum SIMPLE Deferral (Under age 50)	$11,500	$12,000	$12,000	$12,500
Maximum SIMPLE Deferral (Under Age 50 & older)	$14,000	$14,500	$14,500	$15,500

Saver's Credit Limits for 2015

The applicable percentage for 2015 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	$36,500	50%
$36,500	$39,500	20%
$39,500	$61,000	10%
$61,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$27,375	50%
$27,375	$29,625	20%
$29,625	$45,750	10%
$45,750	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$18,250	50%
$18,250	$19,750	20%
$19,750	$30,500	10%
$30,500	N/A	0%

Saver's Credit Limits for 2014

The applicable percentage for 2014 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	$36,000	50%
$36,000	$39,000	20%
$39,000	$60,000	10%
$60,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$27,000	50%
$27,000	$29,250	20%
$29,250	$45,000	10%
$45,000	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$18,000	50%
$18,000	$19,500	20%
$19,500	$30,000	10%
$30,000	N/A	0%

Additional IRS Guidance on the Once Per Year Rollover Rule and the IRS Can't Be Serious About IRA Transfers

The author of this article is an old tennis nut. John McEnroe's 1981 tennis exclamation of the 1980's that "you can not be serious" fits many situations.

The IRS has recently issued additional tax guidance on the once per year rollover rule which goes into effect on January 1, 2015. IRS NewsWire 2014-107 and Announcement 2014-32. This is the third or fourth time the IRS has issued guidance since the tax court's decision (Bobrow) in January of 2014. The court ruled that a person is allowed to make only one distribution/rollover in a one-year period regardless of how many different IRA plan agreements a person has.

The initial IRS guidance maybe was not as comprehensive or clear as it should have been. One would hope the IRS wants to provide comprehensive guidance on tax subjects so that everyone involved can perform their tax duties.

The most recent guidance makes clear that that a person who rolls funds from one Roth IRA to another Roth IRA is ineligible to rollover funds from his or her traditional IRA to another traditional IRA during the one-year period commencing on the withdrawal of the Roth IRA funds. And that any subsequent distributions by this person within the one-year time period from any or his or her IRAs will be ineligible to be rolled over tax free.

The IRS has still not yet commented (furnished guidance) whether an IRA trustee must or should inform existing IRA owners of this change in the once per year rollover year. An existing IRA regulation does require an amended disclosure statement be furnished, but the IRS has not explained why this regulation does not apply if they believe that such an amendment is not required.

The IRS portrays itself as being taxpayer friendly. If the IRS was so friendly, the IRS did not need to agree so quickly to follow the tax court decision. One tax court decision need not be the final decision. The IRS could have have appealed the tax court's decision or asked Congress to change the law to expressly authorize the continuance of the old rule allowing rollovers on a per plan agreement basis. One would think this would be bipartisan topic.

The IRS is in the business of maximizing the tax revenues of the federal government. Limiting the number of rollovers a person is eligible to make will in some cases lead to more individuals having to pay incomes taxes they otherwise would not have had to pay or at least not as soon. Unlike with pension plans, the law and the IRS has not adopted any procedures allowing IRA mistakes to be corrected. The IRS likes IRA mistakes in the sense that additional taxes in many cases will be owed and paid. However, this conflicts with the fact that the more a person pays in taxes on account of his or her IRA mistakes means less funds for retirement. In some cases, the IRS doesn't care and the IRS wants to maximize its collection of tax dollars.

The IRS states in its guidance that it encourages IRA trustees to offer to its IRA owners a transfer distribution of funds rather than a distribution followed by a rollover contribution. A transfer is not subject to the once per year rule as there is no actual taxable distribution. Allowing transfers will lessen the impact of the new once per year rollover rule. The IRS understands that IRA trustees are not required by the tax laws to participate in a transfer. The two involved IRA plan agreements must authorize the transfer.

The IRS states, "IRA trustees can accomplish a trustee to trustee transfer by transferring amounts directly from one IRA to another or by providing the IRA owner with a check made payable to the receiving IRA trustee."

The IRS does not give a comprehensive discussion (or any examples) on what it means by making "the check payable to the receiving IRA trustee." Admittedly, the IRS is trying to give a keep it as simple as possible explanation. But sometimes an approach can be too simple and tax problems are sure to arise.

With the many law changes impacting transfers, some transfers are reportable and some are not. Reportable means one of the IRA trustees must report the transfer distribution on a Form 1099-R and the one of the trustees must report the contribution on the Form 5498 either as rollover, conversion, recharacterization or a qualified HSA funding distribution. In this rollover guidance the IRS offers no guidance as to how reportable

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transfers are to be handled by the two IRA trustees or by the IRA trustee and the HSA trustee.

Furnishing an IRA trustee or an HSA trustee with only a check will not assure the proper tax administration. In order to assure the correct administration of the transferred IRA funds, the receiving IRA trustee will in some cases need to be furnished certain historical information from the transmitting institution. The IRS does not discuss this topic in any detail. It appears the IRS may be allowing the individual to furnish this information and not require that the remitting institution furnish it. This is short-sighted and it is why this situation is a "you can't be serious" situation. The IRS should furnish additional guidance.

The IRS seems to authorize the check may be made payable to "ABC Bank" and does not require additional information such as "ABC Bank as Roth IRA trustee fbo Jane Doe" or "ABC Bank as the inherited traditional IRA trustee fbo John Smith abo Mary Smith's IRA" or "ABC Bank as the HSA trustee fbo of Maria Bell."

Current IRS procedures provide that an IRA trustee is not to report a "nonreportable" transfer on either the Form 1099-R or the Form 5498. CWF has received quite a few consulting calls indicating that some brokerage firms (some large ones) prepare the Form 1099-R for all transfers. This makes their life easier, but complicates the life of every departing IRA owner since he/she must explain on his/her tax return why the amount on the Form 1099-R is not taxable. The IRS apparently does not fine an IRA trustee which prepares a Form 1099-R not required to be prepared. The IRS needs to start imposing fines on such IRA trustees.

As a reminder there are certain distributions which are ignored for purposes of applying the once per year rule. Making a Roth IRA conversion contribution is not counted as a distribution/rollover. Making an HSA Funding distribution is not counted as a distribution/rollover. However, moving funds from an IRA to a 401(k) does count as a distribution/rollover.

Set forth are various examples illustrating why furnishing just a check will not allow for the proper tax administration. Hopefully, the IRS will again furnish additional guidance.

1. Jane Doe instructs First Bank that she wishes to transfer $30,000 of her traditional IRA funds to Second Bank. She does not make clear into what type of account the $30,000 is to be reinvested. The check is made payable to Second Bank. No additional information is provided.

Jane could instruct Second Bank that she wants the funds to go into a Roth IRA. She should include the $30,000 in her income. However, if both banks treat this transaction as a nonreportable transfer, the IRS will have no way short of a full audit to determine if Jane reports the transaction properly on her federal income tax return. She might escape including the $30,000 in her income. Presumably, the two IRA trustees could be fined for not preparing the Form 1099-R and the Form 5498 as is required when there is a Roth IRA conversion. Funds moving from a traditional IRA to a Roth IRA via transfer or rollover is a reportable transaction.

2. John Hall instructs First Bank that he wishes to transfer $7,550 of his traditional IRA funds to Second Bank. He does not make clear into what type of account the $7,550 is to be reinvested. The check is made payable to Second Bank. No additional information is provided.

John could instruct Second Bank that he wants the funds to go into his HSA. He would exclude the $7,550 from his income.However, if both banks treat this transaction as a non-reportable transfer, there will be non-compliance with the IRS reporting rules applying to an HSA Funding Distribution/Contribution.

3. Mary Long instructs First Bank that she wishes to transfer $45,000 of her inherited traditional IRA funds to Second Bank. Her mom had designated Mary as the beneficiary of her IRA. Mary does not make clear into what type of account the $45,000 is to be reinvested. The check is made payable to Second Bank. No additional information is provided.

Mary could instruct Second Bank that she wants the funds to go into her own personal traditional IRA. The mistake could be intentional or unintentional This means she no longer would have to comply with the required distributions rules. She would not be required to take an RMD until she would attain age 70½. If both banks treat this transaction as a non-reportable transfer, the IRS will have no way short of a full audit to determine that Jane made a nonqualifying transfer.

One last example. Jane withdrew $30,000 from IRA #1 on June 10, 2014 and she rolled it into IRA #4. She will be eligible to take a distribution from IRA #4 and roll it over only if she does so on or after June 10, 2015, and she has taken no other distribution from any of her other IRAs on or after January 1, 2015 which she rolled over.

In conclusion, although the IRS states in recent guidance that all that is needed to transfer IRA funds is to issue a check to the other IRA trustee, CWF suggests that IRA transfer forms, IRA conversion forms and the form for an individual to certify the making a a qualified HSA funding distribution still be used. The goal is to limit the mistakes made by individuals and IRA trustees.

Status of Qualified Charitable Contributions/Distributions For 2014

It is the RMD season and some IRA owners are asking if they still may take their 2014 RMD and give it to a charity and satisfy their 2014 RMD as could have been done for 2006-2013. Current tax law does NOT permit this as the QCD law expired on December 31, 2013.

This IRA professional believes the recent national election results makes it more likely that there will be a tax bill extending the QCD laws for 2014 and 2015. It might even be that QCDs would be adopted on a permanent basis. Time will tell.

Remember, as long as the check has been issued/written to the charity, an individual would still be able to use the special QCD rule for 2014 if there is a new law enacted on a retroactive basis. There is a good chance it would be. The Charitable Entity Industry has a strong and effective lobby.

Such a new law might not be enacted until January of February of 2015. Nothing is simple with the current political climate.

Understanding What Forms Are Needed To Establish a SEP-IRA

Jane Smith wishes to make a SEP-IRA contribution for herself. Jane is a self-employed horse rider/exerciser. She had a good year and so she wants to establish a SEP and then make a $16,000 contribution to her SEP-IRA for tax year 2014.

What forms will she need to prepare? Of course, the financial institution which will be the SEP-IRA custodian will help her.

First, as an employer (a one person business), she must establish her Simplified Employee Pension Plan (SEP). She will do so by completing and signing the IRS model form 5035-SEP. Note that she signs the form as the "employer." The financial institution does not sign this form. Jane will either obtain this form from her accountant, attorney, financial institution or she will find it online at the IRS website, www.irs.gov.

Second, as the employer, she will write a business check for the amount of $16,000 and she will contribute it to her SEP-IRA. A SEP-IRA is established by a person establishing a standard traditional IRA (IRS model form 5305) and then making a SEP-IRA contribution to it. For 2014 she is permitted to make a SEP-IRA contribution equal to the lesser of 25% of her adjusted business earnings or $52,000.

We recently had a call from an IRA representative where the IRA software system her bank was using did not make this clear. The system gave the idea that the only form needed was the Form 5305-SEP. The system did not make it clear that the individual either needed to have an existing IRA into which the SEP-IRA contribution would be contributed or a new SEP-IRA must be established. Both forms are needed and so hopefully the vendor will change its system once it is advised that a clarification is needed. CWF appreciates receiving suggestions from our IRA FormSystem™ users of changes which would make our system more user-friendly and accurate.

IRS statistics show that annual SEP-IRA contributions exceed those of annual traditional IRA contributions. A financial institution will benefit by communicating with its business customers about the benefits of SEP-IRAs.

When is a Roth IRA Distribution a Qualified Distribution For Purposes of Preparing the Owner's 1040 Tax Return?

A qualified distribution is a tax-free distribution. The recipient will not include such distribution in his or her taxable income. He or she will need to explain on the tax return that the distribution is qualified and is not taxable.

A distribution is qualified in the following 4 situations:

1. 5-year rule met & Roth IRA owner is age 59½ or older;
2. 5-year rule met & Roth IRA owner is disabled;
3. 5-year rule met & Roth IRA owner has died and payment is to his/her beneficiary; or
4. 5-year rule met & Roth IRA owner meets the first time home buyer exception.

The Roth IRA owner makes the determination whether or not he or she has met the five year requirement by considering the earliest date he or she made the first Roth IRA contribution and for what tax year the contribution was made. For example, John opened his first Roth IRA with First Bank on February 10, 2011 for tax year 2010. For purposes of the five year rule he is considered to have made the contribution on January 1, 2010. So his five year period will be met as of the end of the day on December 31, 2014. Any distribution occurring on or after January 1, 2015 will be qualified (tax-free) if he is age 59½ or older, disabled or meets the first time home buyer exception.

The fact that an individual receives a Form 1099-R with a reason Code "T" or "J" does not always mean that the distribution was not qualified. See the adjacent article discussing special rules applying to a Roth IRA custodian.

A nonqualified distribution is one which is not a qualified distribution. A nonqualified distribution may or may not be taxable as basis is not subject to being taxed. A nonqualified distribution comprised of income will be taxable and will be subject to the 10% additional tax unless an exception applies.

What Codes Are Used by the Roth IRA Custodian to Report a Roth IRA Distribution as Qualified "Q" For Form 1099-R Purposes?

For purposes of preparing the Form 1099-R the IRS has adopted special procedures for the Roth IRA custodian.

Code "Q" is used to report the following 3 qualified Roth IRA distribution situations after applying a special 5-year rule as discussed below.

1. 5-year rule met & Roth IRA owner is age 59½ or older;
2. 5-year rule met & Roth IRA owner is disabled; or
3. 5-year rule met & Roth IRA owner has died and payment is to his/her beneficiary.

The first special procedure is - the Roth IRA custodian does NOT make any determination whether or not a Roth IRA owner who is under age 59½ has met the first time home buyer exception. A code "J" is to be inserted in box 7 for any Roth IRA owner under age 59½ even if he/she informs the custodian that he/she has met the first time home buyer exception. The individual will need to complete his/her tax return and claim that he or she has met the first time home buyer requirements.

The second special reporting procedure is that the Roth IRA custodian makes the determination if the five year requirement has been met only by considering when the Roth IRA owner established his/her Roth IRA with the custodian and for what tax year the Roth IRA was established. The Roth IRA custodian does not consider the fact that the individual may have established an earlier Roth IRA at another institution.

For example, John opened his Roth IRA with Third Bank on February 10, 2012 for tax year 2011, but he had opened his first Roth IRA with First Bank on March 10, 2010 for tax year 2009. John has not had his Roth IRA for five years with Third Bank. Thus, Third Bank does not consider the five year rule to have been met. Thus, Code "Q" is inapplicable and code "T" or "J" will need to be used on the form 1099-R as discussed in this article. John will explain, however, that his distribution occurring after December 31, 2013 is qualified as he has met the 5-year rule.

Code "T" is used to report a nonqualified distribution made to the Roth IRA owner (i.e the 5-year rule not met), but he/she is age 59½ or older or disabled.

Code "T" is also used to report a nonqualified distribution made to an inheriting Roth IRA beneficiary owner (i.e. initially the 5-year rule is not been met). Once the 5-year rule has been met by adding together the owner's time with that of the beneficiary, all distributions will be qualified.

Code "J" is used to report all other types of nonqualified distributions which may be made to the Roth IRA owner and it is also used to report when the Roth IRA owner informs the Roth IRA custodian that he or she will be claiming the first time home buyer exception on the tax return.

Email Consulting Guidance

Q-1. I have a situation I'm not sure about. We have a customer that wants to rollover her QP (401k) into a Roth IRA. If I'm reading my notes correctly, she can do this now and we will code it as a "rollover." When will she pay taxes on the Roth Rollover? Will the rollover show in box 10 on form 5498 for her tax purposes? What exactly will I need to do on my end for her to pay the taxes on this amount?

A-1. She has the responsibility to report on her 2014 tax return the amount that she directly rolls over into the Roth IRA. This assumes that her entire 401(k) balance is taxable. She will need to pay the tax liability arising from this distribution/conversion. It may be wise for her to either have some withholding or to make some estimated tax payments. She should be discussing this with her tax advisor who should be informing what her anticipated tax liability is and how it should be paid.

You are correct. You do code it as a rollover. It should show up in box 2 on the Form 5498 you prepare for her Roth IRA.

Q-2. A question came up regarding the new Rollover rule for 2015. If a customer comes in with one check and wants to open up 3 IRA accounts with the one check. Would that still be considered 1 rollover or 3 because we are opening 3 separate accounts with the money?

A-2. It is the distribution which is limited. In 2015 a person will be eligible to rollover only one distribution occurring during a 12-month period. However, he or she may make multiple rollover contributions of that one distribution. For example, Jane withdraws $15,000 on January 20, 2015. As long as she complies with the 60-day rule, she could make a rollover contribution of $6,000 on January 31, 2015, a rollover contribution of $4,000 on February 10, 2015 and then make a third rollover contribution of $5,000 on March 4, 2015.

Any additional distribution by the same individual occurring during the period of January 20, 2015 to January 19, 2016 from any of his or her IRAs is ineligible to be rolled over tax free.

Q-3. I have an Traditional IRA customer that passed away over the age of 70½. Her husband is deceased and she named her sister, brother and two nieces as her beneficiaries. They all want to take the funds with them. What forms are required to be filled out and signed by the beneficiaries? I had them sign form #204 but not sure if I need to have any other forms signed and I coded the distribution as a death distribution. Is this correct?

A-3. There are four beneficiaries and all are nonspouse beneficiaries Each may withdraw 100% of their share They will need to include such amount in income for 2014 as a nonspouse beneficiary has no rollover rights.

You have had them complete and sign the #204 form. Very good. If it will make your processing easier, you could complete the #57 Form, but you would not need to obtain their signatures Each beneficiary should receive a 2014 Form 1099-R with the reason code being "4" for death.