

THE Pension Digest

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“The Pension Specialists”



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IRS Issues 2018 Indexed Amounts for HSAs

The HSA contribution limits for 2018 are \$50 higher for single HDHP coverage and \$150 for family HDHP coverage. The Treasury Department and Internal Revenue Service issued new guidance on the maximum contribution levels for High Deductible Health Plans (HDHPs) that must be used in conjunction with HSAs. The 2018 limits are set forth in Revenue Procedure 2017-37.

Maximum Contribution Limits Under Age 55

	<u>2017</u>	<u>2018</u>
Single HDHP	\$3,400	\$3,450
Family HDHP	\$6,750	\$6,900

Maximum Contribution Limits Age 55 & Older

	<u>2017</u>	<u>2018</u>
Single HDHP	\$4,400	\$4,450
Family HDHP	\$7,750	\$7,900

HSA Catch-Up Contributions

	<u>2015</u>	<u>2016</u>
Age 55 and Older	\$1,000	\$1,000

High Deductible Health Plans

	Minimum Annual Deductible		Maximum Annual Out-of-Pocket Expenses	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Single Coverage	\$1,300	\$1,350	\$6,550	\$6,650
Family Coverage	\$2,600	\$2,700	\$13,100	\$13,300

The RMD Box 11 on Form 5498 Is Not Checked For an IRA Beneficiary

In 2002 the IRS issued Notice 2002-27 regarding the then new required distribution rules for IRAs and pension plans as set forth in final regulations. This guidance was issued in 2002 and is still in effect today. "Reporting is also not required at this time with respect to IRAs of deceased owners "If Reporting is required in the future, ... the IRS will issue additional guidance, which will be effective prospectively."

Today the IRS continues to follow the RMD approaches adopted in 2002.

On page 19 of the 2018 IRS instructions for Forms 5498 and 1099-R, the IRS states, "Until further guidance is issued, no reporting is required for IRAs of deceased participants (except where the surviving spouse elects to treat the IRA as the spouse's own as discussed above."

On page 23, the instructions for Box 11 (RMD) discuss an IRA participant who is age 70 1/2 or older. There is no discussion of an IRA beneficiary.

"Check the box if the participant must take an RMD for 2017. You are required to check the box for the year the participant reaches age 70 1/2 even though the RMD for that year need not be made until April 1 of the following year. Then check the box for each subsequent year an RMD is required to be made."

Historical Background.

The IRS as an institution and the Republicans in Congress have differences of opinion on various tax matters. This is certainly the case for the topics of required distributions for living IRA accountholders (70 1/2 and older) and required distributions for inheriting IRA beneficiaries.

The IRS and Congress have settled on the following RMD approaches.

With respect to living accountholders, the IRS requires the IRA custodian to furnish certain information to those IRA owners having to take a required distribution for the year. Each year the IRA custodian must furnish an IRA owner with a required distribution notice informing the IRA owners of his/her need to take a required distribution, the deadline to take it and the amount of the required distribution (if requested).

Form 5498 2016

☐ CORRECTED (if checked)

TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a)	OMB No. 1545-0747	2016	IRA Contribution Information
		2 Rollover contributions	Form 5498		
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount	4 Recharacterized contributions	Copy B	For Participant
		5 Fair market value of account	6 Life insurance cost included in box 1		
PARTICIPANT'S name		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	8 SEP contributions	9 SIMPLE contributions	This information is being furnished to the Internal Revenue Service.
Street address (including apt. no.)		10 Roth IRA contributions	11 If checked, required minimum distribution for 2017 <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		12a RMD date	12b RMD amount		
		13a Postponed contribution	13b Year	13c Code	
		14a Repayments	14b Code		
Account number (see instructions)		15a FMV of certain specified assets	15b Code(s)		

Form **5498** (keep for your records) www.irs.gov/form5498 Department of the Treasury - Internal Revenue Service

With respect to furnishing RMD information to the IRS, the IRA custodian must inform the IRS of the IRA owners who are required to take a required distribution, but the IRA custodian is not required to inform the IRS of the RMD amount for each person.

With respect to IRA beneficiaries, the IRA custodian has no RMD reporting duties except to prepare the Form 5498 for an IRA beneficiary using the titling, "Jane Doe as beneficiary of John Doe's IRA."

We at CWF believe an IRA custodian wants to furnish an RMD notice to its IRA beneficiaries in order to lessen its possible liability concerns. A beneficiary owes the 50% tax if he or she fails to take an RMD. IRS guidance on this topic is inconsistent. The IRA plan agreement as written by the IRS requires that distributions be made to the beneficiary after the IRA owner dies.

The IRS publishes numerous statistical studies with respect to Form 5498 and 1099-R. Some studies may be inaccurate if Box 11 is checked for an IRA beneficiary. The IRS has not communicated whether an IRA custodian would be fined for preparing Form 5498 incorrectly by checking Box 11 for an IRA beneficiary.

Completing the 2016 Form 5498-SA

☐ VOID ☐ CORRECTED

TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Employee or self-employed person's Archer MSA contributions made in 2016 and 2017 for 2016 \$	OMB No. 1545-1518 2016 Form 5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information Copy C For Trustee For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.
		2 Total contributions made in 2016 \$		
TRUSTEE'S federal identification number	PARTICIPANT'S social security number	3 Total HSA or Archer MSA contributions made in 2017 for 2016 \$		
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)		6 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code				
Account number (see instructions)				

Form 5498-SA www.irs.gov/form5498sa Department of the Treasury - Internal Revenue Service

An HSA custodian by June 1, 2017, must file Form 5498-SA for each person for whom an HSA was maintained during 2016. This requirement differs from the IRA requirement where a Form 5498 must be prepared for a person only if he or she made a reportable contribution or the IRA had a fair market value as of December 31, 2016. That is, no Form 5498 is to be prepared if a person closed his or her IRA by December 31, 2016 and had made no reportable contribution. Note the filing deadline for HSAs is June 1, 2017, and not May 31, 2017, as it is for IRAs.

As with the 2016 Form 1099-SA, 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. Statement to participants. If you are required to file 5498-SA, you must provide a statement to the participant (generally Copy B) by June 1, 2017. You may, but you are not required to, provide participants with a

statement of the December 31, 2016 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 2016 by December 31. These contributions may be made in 2016 for 2016 or they may be have been made from January 1, 2016 to April 18, 2016, for tax year 2015. Qualified HSA funding contributions made in 2016 are to be reported in this box.

4. Box 3 is to be completed with the total of HSA contributions made in 2017 for 2016 as long as made by April 18, 2017. Note that the contributions in box 3 of the 2016 Form 5498-SA will also be reported in box 2 on the 2017 Form 5498-SA.

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 2016.

6. Box 5 is to be completed with the fair market value of the HSA on December 31, 2016.

7. Box 6 - check the "HSA" box.

As with the 2016 Form 1099-SA, the 2016 Form 5498-SA has the special instruction on the account number box in the lower left-hand corner.

The instructions state: "The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 5498-SA. Additionally, the IRS encourages you to designate an account number for all Forms 5498-SA that you file".

Email Consulting Guidance-Roth IRAs Roth IRA Contributions

Q-1 We have a customer requesting to make a last year contribution to their Roth IRA, it is for tax purposes, and I was unsure if this was okay?

A-1 A person is eligible to make a Roth IRA contribution for tax year 2016 if he or she is eligible to make an annual Roth IRA contribution. As you know, there are 2 requirements-must have compensation and must have MAGI (modified adjust gross income) which is not too large. Eligible compensation range for a person who files as single is \$117,000 - \$132,000 and for a married person filing jointly is \$184,000 - \$196,000.

Email Consulting Guidance,
Continued from page 3

Form 1099-R Issues For Roth IRA Distribution

Q-2 We just discovered that when our customers take a distribution from their Roth IRA that we're using a Distribution Code of 7 in box 7 of the Form 1099-R, but it sounds like we should be using "Q." Does that sound right? What are the ramifications for us reporting these incorrectly. It appears as though we've always done it this way.

A-2 Do you (your software) always use a code 7 for all Roth IRA distributions or only for those who are over 59 1/2? It would be helpful if I could see 5-10 Form 1099-R's showing Roth IRA distributions. .

This could be an expensive mistake as the IRS has the authority to charge \$250 for each incorrect Form 1099-R (times two - one for the incorrect IRS' form and one for the incorrect individual's form). At one time the limit was \$100, it is now \$250.

With Roth IRAs, the general rule is - no numerical code is used, rather the codes to be used are the Q, T and J. I am somewhat surprised the bank has not heard from the IRS or a number of Roth IRA customers as the "7" indicates the distribution is taxable whereas a "Q" indicates the distribution is not taxable.

I will send additional discussion of if, how, and when the bank would submit corrections. Obviously, the bank will prepare corrections for all who ask for a corrected form, but the question is, what to do about the others? The correct thing to do is to prepare corrected 1099-R forms for any "open" tax year.

How many Roth IRA distributions were there for 2013, 2014, 2015 and 2016?

Q-3 For the 1099-R (Roth IRAs) being reported in box 7, Distribution Codes, our bank currently default the code to "T". Does the bank need to put "Q" if in fact the customer meets all the requirements or will "T" be sufficient because the customer is still able to prove that their distribution qualifies? I just want to make sure our bank is in compliance.

A-3 The conservative approach for the bank is to discontinue use of Code T as the default code.

I suggest strongly use of code "Q" in box 7 on the Form 1099-R if the bank has the necessary information to determine if the distribution is qualified. That is, the bank knows the distribution is to Roth IRA owner who is over 59 1/2 and the 5 year has been met.

The tax laws now provide for a \$250 penalty (times 2) if the Form 1099-R is prepared incorrectly. The IRS has given virtually no guidance as to what type of errors allow the IRS to assess the \$250 penalty. It appears "any error" can result in the penalty being assessed.

A customer might well take the position, "I'm going to complain to the IRS because the bank had the necessary information to report the distribution was qualified and yet the bank has made me go to the work of having to prove to the IRS that my Roth IRA distribution was tax free."

Email Consulting Guidance-Inherited IRAs

Q-1 I have an IRA account holder that passed away in July 2016. At that time she had already taken her RMD (she was 85). The family is now questioning the 1099-R's that she received. There is one that is correct with a reason code 7 for the RMD amount. But the other one, I am just not sure about. I reported the full amount of the distribution as a code 4--death. Box 1 has the full amount, box 2a has the full amount (it auto fills in?) and box 2b has a check in both the reportable amount not determined and total distribution.

The IRA was transferred into 2 beneficiary IRA's for the children.

Do I need to change my 1099-R?

A-1 You are correct--there should be a Form 1099-R for the deceased IRA accountholder to report the RMD she was paid prior to her death. The reason code 7 is correct and the other boxes are correct.

A Form 1099-R should not have been prepared with respect to the two inherited IRAs established. The funds were transferred from the decedent's IRA into the two inherited IRAs account. A transfer is non-reportable.

I get the idea that the personnel of some main-frame vendors instruct their banking clients that there should be a 1099-R prepared for the decedent using the reason code 4. Their guidance is wrong. A distribution of these funds was not made to the person who died. A Form 1099-R is prepared to report a distribution which is furnished to somebody. There was no such distribution to the beneficiaries in 2016.

You will want to prepare a corrected Form 1099-R to show no distribution was made in the amount indicated on the one Form 1099-R.

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Q-2 We recently in 2017 had a customer that passed away and the beneficiary is considering closing the IRA. My question is: If the beneficiary chooses to close the IRA, do we need to do the 2017 RMD for our customer then do a distribution for the beneficiary? Or can we just do one distribution to the beneficiary since the IRA will be closing?

A-2 You can make one distribution to the beneficiary. When an IRS beneficiary elects to close an inherited IRA by taking a lump sum distribution, there is no requirement to break out the 2017 RMD amount as calculated for the decedent. The duty to take this RMD has been transferred to the beneficiary. The beneficiary must take the RMD by 12/31/17 and may take any amount exceeding the RMD, including a lump sum.

Q-3 We have a situation where there are three beneficiaries on an IRA (the account owner has passed away in 2017). Primary Beneficiaries: two are individuals each at 15%, the third is a foundations at 70%. Should we set up inherited IRAs for all three before distribution? Or can we bypass the inherited IRA setup for the foundation and just provide a lump sum distribution? Is there any special paperwork we need to be aware of?

A-3 A Form 1099-R must be prepared for each beneficiary to whom a distribution is made.

If a foundation will close its share of the inherited IRA by withdrawing its 70% and the bank is able to prepare/issue the 1099-R to the foundation, I believe it is possible to not set up on your computer system the inherited IRA for the foundation. An authorized officer of the foundation should sign the IRA distribution form.

Email Consulting Guidance - Roth IRA Conversions and Recharacterizations

Q-1 A customer had converted her Traditional IRA into a Roth last year, in July to be exact. She would have turned 71 this year in October 31, 2017. My question is, "would the customer be able to take any amount from the Roth IRA or would there be any penalty consequences?" Your response is appreciated.

A-1 Your customer attains age 70 1/2 and 71 in 2017. She was not 70 1/2 in 2016 so she was able to convert 100% of her traditional IRA. She did not have an RMD for 2016. She includes the IRA distribution amount in her 2016 income and pays the tax on the amount she converted.

She is permitted to withdraw funds from her Roth IRA in 2017, but there is no RMD requirement for a living Roth IRA owner. She never has to take any distribution from her Roth IRA if she does not want to. Because she is already older than age 59 1/2, once she has met the 5 year rule, any distribution to her or her beneficiary (after her death) will be tax-free (not taxed). It does not matter if the distribution arises from the conversion amount or the earnings realized by the conversion amount. After her death, her beneficiary must comply with the RMD rules.

She can withdraw whatever amount she wants from her Roth IRA. As long as she withdraws no more than the amount she converted, she will not include such amount in her income as she is simply withdrawing her own after-tax contributions. If she would also withdraw the income earned, she most likely would have to include this income in her 2017 taxable income.

I have assumed she has not met the 5 year rule, but I don't really know as I don't know if she had established another Roth IRA in a prior year.

The bank may assess an early surrender of a time deposit interest penalty if surrendered prior to its maturity date regardless of the age of the depositor. Many institutions will waive this penalty when the individual reaches a certain age. This should be discussed in the account opening (TISA) forms.

Q-2 I have a customer who was making monthly contributions to a Traditional and Roth IRA for 2016. She now wants to transfer all contributions made into the

Continued on page 6

Traditional to her Roth.

From what I've read we can do an internal transfer, and report the transactions as a recharacterization on forms 1099-R and 5498.

If this is not correct can you instruct me on what I need to do.

A-2 You will need to ask her whether she wants to "convert" the traditional IRA contributions or "recharacterize" them.

For discussion purposes, I am going to assume in 2016 (for 2016) she contributed \$2,500 to her Roth IRA and \$3,000 to her traditional IRA.

Possibility #1. She is content with contributing \$3,000 to her traditional IRA for 2016, but she now wants to convert it to be a Roth IRA. Most likely, she would claim a deduction of \$3,000 on her 2016 tax return. Since the conversion is occurring in 2017, she will include the \$3,000 (plus income if she converts that also) in her 2017 income and pay tax on it. The \$3,000 would be moved into her Roth IRA.

Possibility #2. She is not content with her \$3,000 contribution to her traditional IRA for 2016 and she wishes to undo it by recharacterizing it. That is, she wants to contribute \$5,500 to her Roth IRA for 2016. By recharacterizing the \$3,000 (and the earnings) she is treated for her 2016 tax return purposes as having contributed \$5,500 to her Roth IRA and nothing to her traditional IRA. No tax or penalty is owing.

Q-3 We have a dilemma and need your guidance. We had a customer call late yesterday afternoon stating they had just seen their tax advisor. The customer had made a contribution on 10/12/16 of \$5,500 to their Roth IRA. They were 40 years old then. Now the tax advisor tells them it needs to be in a regular IRA instead. They do not have a Regular IRA with us so we are opening one and need to move those funds (plus earnings I assume) from the Roth to the regular IRA as a prior year contribution or wondering if it needs to be a Recharacterization? Also wanted you to know the customer has had the Roth IRA since 4/13/2001.

A-3 The safest course of action is that there is a recharacterization and the funds are moved into his new traditional IRA. However, as you will recall, the IRS reporting for a recharacterization has some time lags.

The original contribution to the Roth IRA will be reported on his 2016 Form 5498.

His recharacterized distribution from the Roth IRA will be reported on his 2017 Form 1099-R. There should be a reason "R" in box 7. Box 2a should be completed with 0.00 as a recharacterization is not taxable.

His recharacterized contribution (\$5,500 plus the earnings) into his traditional IRA will be reported in box 4 on his 2017 Form 5498 for his traditional IRA.

He (or the tax accountant) will want to attach a note to his 2016 and 2017 tax returns stating there was the IRA recharacterization transaction because his 2016 tax return will be completed to show he made a 2016 traditional IRA contribution, but the IRS will not be sent any supporting IRS tax forms until May/June of 2018.

The other course of action would be to withdraw the Roth IRA contribution (and the earnings) as an excess contribution and then contribute \$5,500 to his traditional IRA. Even though the distribution of the earnings occurs in 2017 and the bank will report it on a 2017 Form 1099-R (reason code P), the law requires the individual to include this income on his 2016 tax return and he also owes the 10% tax on the income as he is under age 59 1/2.

The fact that he has had his Roth IRA since 2001 does not impact his tax year 2016 IRA transactions. He is permitted to establish a new traditional IRA for 2016 and he is permitted to have both types of IRAs.

Email Consulting Guidance - RMDs

RMD

Q-1 I have a question about the calculations for a RMD. Here is my scenario:

I have a customer who has to start her RMD's in 2017 as her birthday was 11-27-1946. Her fair market value on 12-31-16 with FNB was \$69,623.30. I calculate her 2017 RMD to be \$2,627.30 using 26.5. She has mailed me a paper from her accountant that adds together IRA's from additional institutions for a total of \$214,892.00. Her accountant calculates her RMD to be \$7,843.00 based on the overall total of \$214,892.00. I believe he is using 27.4. My figures are $\$214,892 / 26.5 = \$8,109.14$. If we take the RMD amount that the accountant is advising she would be short on her RMD. Is the accountant correct in using 27.4? What amount do you calculate for her RMD?

A-1 Your IRA accountholder and her tax accountant should be appreciative.

You are correct, the divisor for her 2017 RMD is 26.5 and not 27.4 as she attains age 70 1/2 and 71 in 2017 as her birthday is 11/27/46.

And her RMD is \$8,109.14 and not \$7,843.00.

RMDs and Rollovers

Q-2 Have a customer who is 82. She wants to "roll over" IRA funds from another financial institution to her IRA here.

She withdrew all the funds from the other Florida bank and they gave her a check just made out to her. I know she can only do one rollover per year and it has to be within 60 days of receipt of the check. My question is, do we deduct the amount of the RMD on that account and the RMD she has with the account here and then deposit the difference into her account?

A-2 Yes. Excellent.

Deduct both RMDs and then she is eligible to roll over the difference.

In applying the IRA distribution rules, there is considered to be only one IRA as the IRA owner must aggregate all of her IRAs (traditional, SEP and SIMPLE).

An RMD is ineligible to be rolled over and any distribution is deemed to be an RMD until the RMD has been satisfied.

Email Consulting Guidance - QCDs

Q-1 I just had a 70 1/2 plus customer ask about the Charitable Distribution. I have done a couple of these in the past but the customer was sure he would not get a 1099-R on this as it would not show as income to him??

A-1 Yes, the distribution is tax free and so one might think, the IRS does want or need to know about it so a Form 1099-R will not be prepared. The IRS does not authorize this approach.

The IRS' approach to taxes is-taxes are owed if there is an IRA distribution unless the taxpayer (not the IRS custodian) can explain why taxes are not owed.

The tax-free treatment depends upon certain rules being met and the only way the IRS knows if the rules have been met is to ask for additional information and then determine if the rules were met. The IRS generally establishes tax procedures (use of tax forms) where the

IRS is told that a transaction has taken place and then if it wants the IRS will ask for additional information to verify the tax free treatment. The IRS does not ask or require the bank to determine if the charity is a qualifying charity.

The IRS instructions (for lines 15 and 15b of Form 1040) clearly state how a person reflects a QCD on his tax return. See attached.

Email Consulting Guidance-Direct Rollovers

Q-1 I have a client that has \$360,000 in a company 401(k). They have terminated employment and want to move the money to two different new custodians - one half with our trust department and the other half to our brokerage division. Is that considered two rollovers in one year or one?

A-1 The once per year rule applies to IRA distributions. It does not apply to distributions from 401(k) plans. A person might take three distributions from her 401(k) plan in one year. She would be eligible to directly rollover or rollover each one.

You have not directly asked this, but some 401(k) administrators take the position that a terminating participant is who taking just one distribution is only entitled to make one direct rollover and the plan need not accommodate her by sending her funds by direct rollover to 2, 3, or 4 different IRA trustees. Not very participant friendly. In some cases a participant who is aware of this rule might take two distributions at different times as long as the plan permits him/her to take two separate distributions.

Or, you could suggest, have the entire \$360,000 directly rolled over to you and then you will transfer the other trustee's 50% once you get it. A reasonable fee for this special service should apply.

Email Consulting Guidance - HSAs

Reporting HSA Contributions

Q-1 I had a customer make a HSA deposit on 4/11/17 for previous year in the about of \$4,850.00. Their tax person is now telling her she should have done that. Do I do a HSA 57 form as below. The part that is throwing me off a little is that they made the deposit in 2017 for 2016 and the withdrawal will be in 2017.

Since it was so recent I'm tempted to make the two (credit and debit) cancel out each other and not show on account or report, but I suppose that is not the right thing to do.

A-2 You are correct, you must report these transactions to the IRS and the customer. You have prepared the HSA 57 distribution form correctly.

IRS rules require preparation of a 2016 Form 5498-SA showing she made an HSA contribution during January 1, 2017 to April 18, 2017 for tax year 2016. It is reported in box 3.

This same contribution will also be reported on her 2017 Form 5498-SA. It will be reported in box 2.

With respect to her 2017 withdrawal of \$4,850.03, a Form 1099-SA will be prepared with \$4,850.03 in box 1, .03 in box 2. and a reason code "2" in box 3.

The rules applying to an excess HSA contribution are similar to the rules applying to excess IRA contributions, but there are some differences. With an HSA the income related to the excess is taxed in the year withdrawn whereas with an IRA the related income is taxed in the year the excess contribution was made.

The tax person will need to decide if he/she needs to attach a note discussing the fact that she made an excess contribution which she withdrew almost immediately.

Treadmill as a Qualified Expense

Q-2 The bank has an HSA client who is asking, "will my purchase of a treadmill with HSA funds be a qualified expense?"

A-2 The individual must act on the advice of his tax adviser.

For most individuals, buying a treadmill will not be a qualifying medical expense. There must be a treatment for a specific disease diagnosed by a physician such as obesity, hypertension, heart disease, diabetes, etc.

Every person, if possible, wants to pay an expense using pre-tax funds rather than using other personal after-tax funds.

One could argue, the tax laws should be changed to allow a person to buy a treadmill because it will be used to prevent future medical expenses.

An HSA Rollover

Q-3 I have a bizarre situation that I am hoping you can help with.

I have a client who was working with my bank ABC financial center to do the following:

She had an old Medical Plan 403b from the hospital she currently works for. The Medical Center cancelled that plan several years ago. At the time of canceling, they gave people options to roll it out or whatever they wanted. She just left hers there with that company and ceased contributions.

NOW - she has an HSA and she decided that she wanted to use part of that 403b money to fund her HSA through the one per lifetime roll.

With ABC, they determined she would first move the \$13,000 full balance 403b into a Traditional IRA. Once complete, they would roll \$4,500 into the HSA and leave the remaining in the Traditional IRA.

Paperwork was done and the process had started. When ABC sent the paperwork to the Hospital Administrator to complete the request section, she instructed that First BANK, not ABC would be the successor Trustee. Since we are in the same office, my ABC Broker has asked if I would just accept the check and do the IRA. I will complete my own paperwork and she will sign so we are compliant.

So that is where I am at only I don't see a great option in the Rollover, Transfer, or New IRA paperwork that fits this solution. Can you please guide me on the initial paperwork I should complete to accept the Rollover from a 403b?

A-3 Form 65, Rollover certification should be completed. The funds will go into a traditional IRA and then the \$4,500 should be withdrawn from her traditional and moved into her HSA. She also needs a standard new IRA plan agreement if she does not have an existing IRA. Her traditional IRA should show the rollover contribution of \$13,000 in box 2 on her 2017 Form 5498.

A Form 1099-R is to be prepared showing the \$4,500 as fully taxable. She or accountant must prepare her tax return to explain why the \$4,500 is not taxable.

A Form 5498-SA will show an HSA contribution of \$4,500.