THE Pension Digest

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ALSO IN THIS ISSUE –

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

IRA Contribution Limits for 2017 – Unchanged at $5,500 and $6,500; 401(k) Limits Unchanged Also

Inflation was approximately .3% for the fiscal quarter ending September 30, 2016, 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 2017 for traditional and Roth IRAs did not change – $5,500/$6,500.

The 2017 maximum contribution limit for SEP-IRAs is increased to $54,000 (or, 25% of compensation, if lesser) up from $53,000. The minimum SEP contribution limit used to determine if an employer must make a contribution for a part-time employee remains the same at $600.

The 2017 maximum contribution limits for SIMPLE-IRAs is unchanged at $12,500 if the individual is under age 50 and $15,500 if age 50 or older.

The 2017 maximum elective deferral limit for 401(k) participants is unchanged at $18,000 for participants under age 50 and $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
2013-17	$5,500

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

Tax Year	Amount
2008-12	$6,000
2013-17	$6,500

IRS Issues 2017 IRA/Pension Limits

IRS Announces Cost-of-Living Adjustments for 2017

The IRS in Notice 2016-62 Released its 2017 Adjustments as Follows:

	2014	2015	2016	2017
Taxable Wage Base — OASDI Only	$117,000	$118,500	$118,500	$127,200
SEP and Qualified Plan Maximum Compensation Cap – 401(a)(17) & 404(e)	$260,000	$265,000	$265,000	$270,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	$17,500	$18,000	$18,000	$18,000
Elective Deferral Catch-up Limit	$5,500	$6,000	$6,000	$6,000
SIMPLE Deferral Limit – 408(p)(2)(A)	$12,000	$12,500	$12,500	$12,500
SIMPLE Catch-up Limit	$2,500	$3,000	$3,000	$3,000
Highly-Compensated Employees (Compensation as Indexed)	$$115,000	$120,000	$120,000	$120,000
Defined Benefit Limit – Section 415(b)(1)(A)	$210,000	$210,000	$210,000	$215,000
Defined Contribution Limit – Section 415(c)(1)(A)	$52,000	$53,000	$53,000	$54,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	$550	$600	$600	$600
Key Employee Top Heavy — 41(i)(ii)(a)(i)	$170,000	$170,000	$170,000	$175,000

IRA Contribution Deductibility Chart for 2016

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

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

Single

Below $61,000 or less	Entitled to full deduction
$61,001-$70,999.99	Entitled to prorated deduction amount - use special formula**
$71,000 or more	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 $98,000 or less	Entitled to full deduction
$98,001 - $117,999.99	Entitled to prorated deduction amount - use special formula**
$118,000 or more	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 $98,000 or less	Fully Deductible
$98,001-$117,999.99	Entitled to prorated deduction amount - use special formula**
$118,000 or more	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 $184,000 or less	Fully Deductible
$184,001-$193,999.99	Entitled to prorated deduction amount - use special formula**
$194,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $184,000/$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 more	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 2017

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

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

Single or Head of Household

Below $62,000 or less	Entitled to full deduction
$62,001-$71,999.99	Entitled to prorated deduction amount - use special formula**
$72,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $62,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below $99,000 or less	Entitled to full deduction
$99,001 - $118,999.99	Entitled to prorated deduction amount - use special formula**
$119,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $99,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered or qualifying widower

Below $99,000 or less	Fully Deductible
$99,001-$118,999.99	Entitled to prorated deduction amount - use special formula**
$119,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $99,000/$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 $186,000 or less	Fully Deductible
$186,001-$195,999.99	Entitled to prorated deduction amount - use special formula**
$186,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $186,000/$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 more	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 2016

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $117,000	Entitled to full contribution amount
$117,000-$131,999.99	Entitled to prorated contribution amount–use special formula*
$132,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $117,000/$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 $184,000	Entitled to full contribution amount.
$184,000-193,999.99	Entitled to prorated contribution amount–use special formula.*
$194,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $184,000/$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 more	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 2017

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $118,000	Entitled to full contribution amount
$118,000-$132,999.99	Entitled to prorated contribution amount–use special formula*
$133,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $118,000/$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 $186,000	Entitled to full contribution amount.
$186,000-195,999.99	Entitled to prorated contribution amount–use special formula.*
$196,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $186,000/$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 more	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

	2014	2015	2016	2017
Maximum SEP Contribution	$52,000	$53,000	$53,000	$54,000
Maximum SIMPLE Deferral (Under age 50)	$12,000	$12,500	$12,500	$12,500
Maximum SIMPLE Deferral (Age 50 & older)	$14,500	$15,500	$15,500	$15,500

Saver's Credit Limits for 2016

The applicable percentage for 2016 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	$37,000	50%
$37,000	$40,000	20%
$40,000	$61,500	10%
$61,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$27,750	50%
$27,750	$30,000	20%
$30,000	$46,125	10%
$46,125	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$18,500	50%
$18,500	$20,000	20%
$20,000	$30,750	10%
$30,750	N/A	0%

Saver's Credit Limits for 2017

The applicable percentage for 2017 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	$37,000	50%
$37,000	$40,000	20%
$40,000	$62,000	10%
$62,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$27,750	50%
$27,750	$30,000	20%
$30,000	$46,500	10%
$46,500	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$18,500	50%
$18,500	$20,000	20%
$20,000	$31,000	10%
$31,000	N/A	0%

IRA Rollovers and Transfers To Custodial IRAs Under New DOL Rules

The new DOL fiduciary investment advice rule is effective April 10, 2017. For reason discussed below, the new definition of an investment advice fiduciary will have limited impact for custodial IRAs. Consequently, the Best Interest Contact PT exemption will not apply and will not need to be used.

All IRA custodians and IRA trustees and various financial service providers want to understand how the new DOL rules for fiduciary investment advice applies to them and what changes, if any, they should consider making, in their IRA services business model.

For those banks offering only custodial IRAs, the answer is, no change is generally needed. An IRA custodian may continue its current IRA service model of offering its own savings and time deposits, including accepting rollover and transfer contributions from 401(k) plans, other retirement plans and other IRAs.

A custodial IRA is one where the IRA investments are restricted to the savings and time deposits as offered by that FDIC insured bank. In general, a bank offering custodial IRAs is NOT Subject to the New DOL Fiduciary Advice Rules and the New Best Interest Contract Prohibited Transaction Exemption Rules. IRA plan agreements will not need to be amended for this reason, but there are other business reasons why it is prudent to furnish an amended IRA plan agreement for 2016-2017.

A custodial IRA custodian/trustee is not required to go through a formal process of determining if a rollover or a transfer is in the best interest of your customer as is the case when fiduciary investment advice is being furnished.

The customer may/must still make his/her rollover decision. Your customer should still furnish a rollover certification form certifying that he or she is eligible to make the rollover and that he or she understands the rollover instruction is irrevocable. In the case of a transfer, the individual should instruct that he/she wants his/her IRA funds transferred.

ERISA Labor code section 408(a)(3) and Internal Revenue Code section 4975 provide a statutory PT exemption for certain bank time deposits. A bank or similar financial institution is granted an exemption allowing it to offer its own bank deposits as the IRA investment as long as such deposits bear a reasonable interest rate, as long as the bank is a "fiduciary" and the IRA plan agreement contains a provision expressly authorizing such an investment(s). These requirements are met under the CWF IRA plan agreements.

The DOL has issued the revised definition of a fiduciary investment adviser for purposes of applying the prohibited transaction rules when the IRA custodian/trustee has a conflict of interest because it is receiving payments from a third party. In October of 2016 the DOL issued additional helpful guidance titled, "Conflict of Interest Exemptions FAQs".

In order for a person or an institution to become an investment advice fiduciary, the IRA custodian or trustee must make a certain type of financial recommendation, the IRA owner must accept it and the IRA custodian/trustee must receive compensation on account of the recommended advice.

The new DOL rules will almost always never apply when a person instructs to have his or her plan funds or IRA funds rolled over and invested in an IRA comprised of savings or time deposits as offered by the IRA custodian. Why?

Many IRA custodians do not make investment recommendations and many are not paid any compensation. An IRA custodian which is not paid any type of compensation from a third party on account of its IRAs is not impacted by the new DOL rules as long as it (and its personnel) makes no investment advice recommendation.

In Q/A 4 of the DOL FAQs guidance, the IRS makes clear that an individual can make a rollover decision and a rollover contribution without an investment recommendation being made by the IRA custodian. A financial institution does not become an investment advice fiduciary because it executes the transaction directed by the customer. The customer is still able to make his or her own rollover decision.

An IRA custodian is still subject to the standard prohibited transaction rules even though it is not an investment advice fiduciary. The IRA plan agreement should define the duties and rights of the IRA custodian and the IRA owner and what fees, if any, are to be paid to the IRA custodian and how such fees will be paid. Such fees must be reasonable.

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The DOL guidance also discussed whether or not referring a person seeking rollover information to an affiliate or another division would be considered rendering fiduciary investment advice. The answer, it is not. Why? A bank's or another financial institution's standard marketing of its own products or those of an affiliate or another division does not constitute fiduciary investment advice as long as an investment recommendation has not been made. This means an institution which makes referrals to an affiliate which is a providers of retail non-deposit investment products is not a fiduciary investment adviser since it is not the party making the investment advice recommendation. It may well be the referred-to-party would make a fiduciary investment recommendation and would be a fiduciary investment adviser and the requirements of the Best Interest Contract exemption would need to be met in order that reasonable compensation could be received.

In summary, those banks currently offering only custodial IRAs are allowed to continue their current IRA service model, including accepting rollover and transfer contributions from 401(k) plans, other retirement plans and other IRAs. The IRA custodian must not be paid or receive any compensation from third parties. Any fees paid by the IRA or the IRA owner must be reasonable and must not be a prohibited transaction.

Email Consulting Guidance

Preparing 1099-R Forms for IRA Beneficiaries

Q-1. Have an IRA owner who passed away before his RMD began. He has two beneficiaries - non-spouse. One wants his lump sum. The other we don't know yet.

We give the one his lump sum and then leave the account open in the deceased name until the other makes a decision???

That is what the bank employees told me that either you or someone in your office told them.

I thought the funds needed to be distributed out of the deceased's name, especially if one beneficiary has already taken their half. Please clarify.

A-1. The primary task to be handled is - a Form 1099-R must be furnished to a beneficiary who is paid a distribution.

This is a computer systems question/situation. In an ideal world, you would input the date of death of the IRA owner and the system would already contain the information for the two beneficiaries so it would set up two inherited IRAs. And the one beneficiary who closed his/her inherited would be set to receive a Form 1099-R. The other beneficiary would have his/her inherited IRA.

In the real world with existing systems, the most conservative approach for the IRA custodian is to set-up two new inherited IRAs on the system and then transfer the decedent's IRA funds into the inherited IRAs. Then when a distribution is taken the required 1099-R forms may be prepared.

As I recall, the question was, must I set up the inherited IRA when the account will be closed immediately. I said "no" as long as he/she will be furnished the 1099-R form. And I mentioned, why not find out from the other beneficiary if she/he too might withdraw his/her entire share. Them neither inherited IRS needs to be created as long as the 1099-R forms will be prepared correctly. With this approach someone must remember that the other beneficiary needs to furnish his or her instruction.

I agree, the more conservative approach is to set up the two inherited IRAs and then process any distribution to a beneficiary.

IRA Beneficiary

Q-2. We have an IRA accountholder that passed away on 09/21/2016. His IRA was established on June 2012 with the IRA funds that he treated as his own from his wife's IRA(she passed 05/31/2012).

When he established his IRA at that time he did not name ANY beneficiaries. This is the first time that I have encountered this situation and would like some direction as to how to move forward. He was born 12/10/1928. He HAS satisfied his RMD for 2016.

A-2. The CWF IRA plan agreement form provides his estate is the default beneficiary if he does not designate a beneficiary or if all of his designated beneficiaries had predeceased him.

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You will set up an inherited IRA titled, "the John Doe estate as beneficiary of John Doe's traditional IRA." You state he satisfied his 2016 RMD.

Starting in 2017 the estate will need to take a 2017 RMD. The formula to be used is -balance as of 12/312/16 divided by the decedent's single life expectancy determined for 2016 less 1.0. Someone will need to decide, does the estate need to be kept open for a few years in order to lessen the income tax to be paid?

See the attached articles/pages discussing the possibility that an estate in some situations and in some states may pass though to the estate's beneficiaries the right to take future IRA RMD distributions. A tax opinion letter would need to be furnished to the bank by the estate's attorney or tax accountant.

The situation is not desired. I would strongly encourage all IRA custodians to advise the surviving spouse who treats the deceased spouse's IRA as his own to designate one or more beneficiaries because this benefits his beneficiaries as they will have more IRA distribution options. The individual should talk with his tax advisor.

The bank may consider having an individual who won't designate a beneficiary sign a special acknowledgment form. The purpose would be so the bank could show to any beneficiary that it was the decedent who made the decision to have his estate be the IRA beneficiary. At this time CWF has not written such a form.

Spouse IRA Beneficiary

Q-3. I have an IRA customer that is in RMD mode that recently passed away. His spouse is 100% primary beneficiary and she is age 62. His RMD has been met for 2016. My question is, when the funds are transferred to an IRA in her name, does she continue to take yearly RMDs? She is 12 years younger than he is.

His DOB 7/29/42

Her DOB 12/4/54

A-3. No, since she has elected to treat his IRA as her own IRA and she is only age 62, the RMD rules do not apply to her until the year she attains age 70½. She is now treated as if she was the original contributor.

If he had not taken all of his 2016 RMD prior to his passing, IRS guidance is that she would have needed to take that amount. The IRS authority is questionable. For this situation, the IRS guidance says that it is to be assumed for purposes of the RMD rules that the deceased spouse lived all of the year. There is no tax authority for such an assumption.

The bank would want the surviving spouse to furnish a writing (letter from accountant or attorney) if a spouse after being told by her tax adviser that the IRS authority is questionable and that she need not take his remaining RMD. She, of course, should agree not to claim the bank has some liability if the IRS or any banking regulator would not agree.

IRA Trust Beneficiary

Q-4. We have a client who died on 12/22/15 and his trust is the beneficiary of his IRA. His spouse is the beneficiary of the trust. What is the RMD period for this situation?

A-4. First determination - is the trust qualified or not. That is, the trust is valid under state law, it became irrevocable upon his death (not a joint revocable trust) and the beneficiary of the trust receiving the IRA funds is identifiable.

I will assume the trust is qualified. Since she is the oldest beneficiary, her age in 2016 is used to determine the initial divisor for the RMD formula. The reduce by one method will apply for subsequent years.

Trust Beneficiary of Inherited

Q-5. I received a very complex phone call from Mark Smith today. He is working with three boys whom father just passed away and had the beneficiary of the IRA's listed as a Trust. A couple of the boys want to take their share cash from the trust and one wants to leave his as an inherited IRA.

From what I understand, the IRA funds have already been deposited into the Trust Acct with other funds.

Getting funds for an inherited IRA acct in this fashion is something I have never dealt with before and would really like your thoughts and input on this.

A-5. Many times (for numerous tax reasons) it is not a good idea to name a trust as the IRA beneficiary.

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Fairly often mistakes will happen when establishing the inherited IRA.

When a trust is the designated beneficiary, an inherited IRA should be set-up with the titling, "the Jane Doe Trust as beneficiary of Jane Doe's IRA."

When a distribution occurs, the IRA custodian/trustee would issue the check to trustee of the Jane Doe Trust.

The Form 1099-R is issued to the trust and not the two sons. The trust would prepare an IRS form reporting its distribution to a beneficiary. A trust is a non-spouse beneficiary which means any distribution to the trust is ineligible to be rolled over.

It appears a total distribution of the IRA funds has already been made to the trust. This does not cause a problem for the two boys who wanted to withdraw their trust shares.

There is a problem for the one son who wanted to maintain his share in an inherited IRA since his share was also paid to the trust. This distribution is ineligible to be rolled over. Under current law there is no way to legally correct this mistake. Legislation has been introduced in Congress allowing mistakes such as this one to be corrected by doing a rollover. Such legislation may or may not be enacted into law in the next 6 months. I am doubtful if the new rules would apply retroactively.

Spouse IRA Beneficiary

Q-6. A question in regards to the inherited funds of spouse of pension plan funds, both owner and beneficiary being under age 59½. If customer sets up 3 Inherited IRAs, does she need to have all monies drawn out in a specified amount of time?

A-6. Most of the text on page 13 of CWF's Form 857 has been provided by the IRS in its guidance. CWF Form 857 is a Pension Distribution Form explaining the tax rules and considerations.

She has the right to directly rollover into her own IRA or her own inherited IRA. The IRS does not discuss it, but we will be revising the form to make clear that a surviving spouse always has the right to take a distribution and roll it over as long as there is compliance with the rules – no rollover of an RMD and the once per year rule.

Since he was not subject to the RMD rules, she is not required to take an RMD from the inherited IRA until December 31 of the year he would have attained age 70½. As we discussed, when she reaches age 59½, she should treat the inherited IRA(s) as her own. If she maintained as an inherited IRA, the payout period would be based on her single life expectancy and the inherited IRA would be closed as the end of this period.

Transfer SEP-IRA

Q-7. I received a phone call yesterday from a mutual customer on the bank side and in the Trust Department. John Doe was inquiring if he could move his SEP-IRA funds from the bank side (when the CD matures in October) into his Self-Directed IRA account in the Trust Department. I read thru the IRA manual yesterday and didn't see a cut and dry answer for this situation if you could please advise us as if this would be a permissible transfer.

A-7. Yes, SEP-IRA funds (custodial) may be transferred into a self-directed traditional IRA.

There are four types of IRAs (traditional, SEP, SIMPLE and Roth).

In general, there are three types of IRA forms with different investment provisions. A custodial form is one where the only permissible investments are the savings and time deposits as offered by the sponsoring bank. A trust form is one where the funds may, in general be invested as federal law permitted and as agreed to by the trust department. Either the trustee will make the investment decisions or the individual may self-direct. A self-directed custodial form is primarily used by an institution without trust powers. The individual has the right to invest in non-CD investments as permitted by the document. The bank cannot render any investment advice and must maintain proper accounting records.

Q-8. We have a customer that did a Traditional IRA rollover to Roth Conversion back in May of this year. Yesterday they made another Roth Rollover deposit. Is this something that they can doe, since it's two rollovers? Or is it okay due to the fact that one of them was a traditional IRA that was converted to a Roth?

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A-8. A Roth IRA conversion contribution is not subject to the once per year rollover rule.

Thus, a rollover into the same Roth IRA to which the conversion contribution was made with be permissible as long as the customer has had no other IRA distribution within the preceding 12 months which was rolled over.

SIMPLE-IRA

Q-9. I am wondering if SIMPLE-IRA disclosure forms are necessary to be sent out if the one person in a SIMPLE-IRA is the employer. Would you please advise me on this situation?

A-9. Even a one person business must settle on the 3% matching rule or the 2% non-elective rule will be used for 2017.

One would think a one person business would always select the 3% match rule as it allows for the largest combined contribution.

I have never see the IRS say that the bank is relived of the duty to furnish the SIMPLE-IRA Summary Description because the employer is truly a one person business. I agree that such an exception would be applied if common sense was being used.

Having said that, there will be times when a financial institution does not really know if the business has any other employees. How does one document if it knows or doesn't know?

Under the tax rules the IRS has the authority to fine the bank $100 per day even though it would be totally unreasonable.

The conservative approach is – send it.

Q-10. We have a client who has a SIMPLE-IRA with us. When he opened this SIMPLE-IRA account with us he owned his own practice and contributed to the SIMPLE-IRA. Well, he is now working for a new employer and hasn't contributed anything last year. I was wondering what would happen in this case and what do we need to do o out end?

A-10. It sounds like he terminated his SIMPLE-IRA plan in the sense that he made no further contributions.

The IRS guidance on terminating a SIMPLE-IRA plan should be improved. The IRS does not explain the consequence of not timely terminating a one person SIMPLE-IRA plan.

Even a one person plan sponsor should in writing state his decision to no longer sponsor his SIMPLE-IRA plan.

If he has met the 2-year rule, the administrator of this SIMPLE-IRA might be made simpler if he would transfer these funds into a traditional IRA.

HSA Contribution for a Refund

Q-11. I have a H.S.A question for you today. We have a client that made a payment from their H.S.A. using their debit card. They must have paid too much so the payee sent our client a credit of $175.00 through the debit card system. So when it hit it did it as a contribution. This client had already met their contribution limit for 2016 so this put them over. What is the best way to correct this?

A-11. It may be this redeposit should be a rollover contribution. Will the client meet the 60 day rule and the once per year rule? If so, it should be a rollover contribution and not an annual contribution. Client should be aware that he/she does not want to be in the same situation since only allowed one distribution which can be rolled over in the 12 month period.

Early HSA Contributions – Impermissible

Q-12. I received a direct client question asking if they can make a 2017 contribution before the year end of 2016. Is that permissible? Thanks!

A-12. It is impossible to make a 2017 HSA contribution in 2016. The person must wait until 1/2/17. Any contribution made in 2016 after 4/18/2016 must be processed for 2016 and most likely there would be an excess contribution.

The rule is the same for HSAs and IRAs.