



# THE Pension Digest

February 2019  
Published Since 1984

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**Collin W. Fritz and  
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*"The Pension Specialists"*



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tion: \$95 per year.

## Reporting IRA Transactions On the Revised 2018 Federal Income Tax Forms

The IRS has revised the 2018 federal income tax forms. In an approach intended to simplify completion of the Form 1040 the IRS has created 4 supporting schedules to be completed when applicable. Information on these schedules will be carried onto the Form 1040, if applicable.

Set forth are Form 1040, Schedule 1, Schedule 2, Schedule 3 and Schedule 4.

Distributions from IRAs and pensions will both be reported on lines 4a/b of the 2018 Form 1040. The gross amount distributed will be reported on line 4a and the taxable amount will be reported on line 4b. The taxpayer must explain why certain distributions are not taxable. Distributions which are rolled over are not taxable. Withdrawal of an excess contribution is not taxable. Withdrawal of an qualified charitable contribution is not taxable. Withdrawal of an qualified HSA Funding distribution is not taxable. A person claiming a tax deduction for their traditional IRA contribution will complete line 32, IRA deduction, on Schedule 1.

A person claiming a tax deduction for their SEP IRA, SIMPLE IRA or a pension contribution by a self-employed person to their qualified plan will complete line 28 of Schedule 1 to claim the deduction.

Schedule 2 must be completed when the taxpayer owes the alternative minimum tax and/or the need to repay some

portion of an excess advance tax credit payment.

Schedule 3 will be used by certain taxpayers to claim a non-refundable credit for making a traditional IRA contribution, Roth IRA contribution, or an elective deferral to a 401(k) plan. The individual will complete line 51 to claim the retirement savings contribution credit. Form 8880 must be completed and attached.

Schedule 4 will be completed by certain taxpayers to report other taxes owed. The individual will complete line 59 to report the 10% tax with respect to a person not yet age 59½ or older, the 6% tax for an uncorrected excess contribution and the 50% tax for a missed RMD (excess accumulation). Form 5329 must be completed and attached.

<b>Form</b>	<b>1040</b>	Department of the Treasury—Internal Revenue Service (99) <b>U.S. Individual Income Tax Return</b>	<b>2018</b>	OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.
Filing status: <input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)				
Your first name and initial		Last name		Your social security number
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind				
If joint return, spouse's first name and initial		Last name		Spouse's social security number
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954 <input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien				<input type="checkbox"/> Full-year health care coverage or exempt (see inst.)
Home address (number and street). If you have a P.O. box, see instructions.			Apt. no.	<b>Presidential Election Campaign</b> (see inst.) <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.				If more than four dependents, see inst. and <input checked="" type="checkbox"/> here <input type="checkbox"/>
<b>Dependents (see instructions):</b>				
(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.): Child tax credit      Credit for other dependents
				<input type="checkbox"/> <input type="checkbox"/>
				<input type="checkbox"/> <input type="checkbox"/>
				<input type="checkbox"/> <input type="checkbox"/>
				<input type="checkbox"/> <input type="checkbox"/>
<b>Sign Here</b> Joint return? See instructions. Keep a copy for your records.				
Your signature		Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, <b>both</b> must sign.		Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Preparer's name		Preparer's signature		PTIN
Firm's name ▶		Firm's EIN		Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
Firm's address ▶		Phone no.		

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2018)

Form 1040 (2018)										Page <b>2</b>	
Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.  <b>Standard Deduction for—</b> • Single or married filing separately, \$12,000 • Married filing jointly or Qualifying widow(er), \$24,000 • Head of household, \$18,000 • If you checked any box under Standard deduction, see instructions.	<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	<b>1</b>								
	<b>2a</b>	Tax-exempt interest . . . . .	<b>2a</b>		<b>2b</b>	Taxable interest . . . . .	<b>2b</b>				
	<b>3a</b>	Qualified dividends . . . . .	<b>3a</b>		<b>3b</b>	Ordinary dividends . . . . .	<b>3b</b>				
	<b>4a</b>	IRAs, pensions, and annuities . . . . .	<b>4a</b>		<b>4b</b>	Taxable amount . . . . .	<b>4b</b>				
	<b>5a</b>	Social security benefits . . . . .	<b>5a</b>		<b>5b</b>	Taxable amount . . . . .	<b>5b</b>				
	<b>6</b>	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 . . . . .				<b>6</b>					
	<b>7</b>	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6 . . . . .				<b>7</b>					
	<b>8</b>	<b>Standard deduction or itemized deductions (from Schedule A)</b> . . . . .				<b>8</b>					
	<b>9</b>	Qualified business income deduction (see instructions) . . . . .				<b>9</b>					
	<b>10</b>	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0- . . . . .				<b>10</b>					
<b>Refund</b>  Direct deposit? See instructions.	<b>11</b>	<b>a</b> Tax (see inst.) (check if any from: <b>1</b> <input type="checkbox"/> Form(s) 8814 <b>2</b> <input type="checkbox"/> Form 4972 <b>3</b> <input type="checkbox"/> ) <b>b</b> Add any amount from Schedule 2 and check here . . . . . ▶ <input type="checkbox"/>				<b>11</b>					
	<b>12</b>	<b>a</b> Child tax credit/credit for other dependents . . . . . <b>b</b> Add any amount from Schedule 3 and check here ▶ <input type="checkbox"/>				<b>12</b>					
	<b>13</b>	Subtract line 12 from line 11. If zero or less, enter -0- . . . . .				<b>13</b>					
	<b>14</b>	Other taxes. Attach Schedule 4 . . . . .				<b>14</b>					
	<b>15</b>	Total tax. Add lines 13 and 14 . . . . .				<b>15</b>					
	<b>16</b>	Federal income tax withheld from Forms W-2 and 1099 . . . . .				<b>16</b>					
	<b>17</b>	Refundable credits: <b>a</b> EIC (see inst.) <b>b</b> Sch. 8812 <b>c</b> Form 8863 Add any amount from Schedule 5 . . . . .				<b>17</b>					
	<b>18</b>	Add lines 16 and 17. These are your total payments . . . . .				<b>18</b>					
	<b>19</b>	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you <b>overpaid</b> . . . . .				<b>19</b>					
	<b>20a</b>	Amount of line 19 you want <b>refunded to you</b> . If Form 8888 is attached, check here . . . . . ▶ <input type="checkbox"/>				<b>20a</b>					
<b>▶ b</b>	Routing number . . . . . ▶ <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings										
<b>▶ d</b>	Account number . . . . .										
<b>21</b>	Amount of line 19 you want <b>applied to your 2019 estimated tax</b> . . . . . ▶ <b>21</b>										
<b>Amount You Owe</b>	<b>22</b>	<b>Amount you owe.</b> Subtract line 18 from line 15. For details on how to pay, see instructions . . . . . ▶				<b>22</b>					
<b>23</b>	Estimated tax penalty (see instructions) . . . . . ▶ <b>23</b>										

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

Form **1040** (2018)

**SCHEDULE 1**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Additional Income and Adjustments to Income**

► Attach to Form 1040.  
► Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **01**

Name(s) shown on Form 1040

Your social security number

<b>Additional Income</b>	<b>1-9b</b>	Reserved . . . . .	<b>1-9b</b>		
	<b>10</b>	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	<b>10</b>		
	<b>11</b>	Alimony received . . . . .	<b>11</b>		
	<b>12</b>	Business income or (loss). Attach Schedule C or C-EZ . . . . .	<b>12</b>		
	<b>13</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here ► <input type="checkbox"/>	<b>13</b>		
	<b>14</b>	Other gains or (losses). Attach Form 4797 . . . . .	<b>14</b>		
	<b>15a</b>	Reserved . . . . .	<b>15b</b>		
	<b>16a</b>	Reserved . . . . .	<b>16b</b>		
	<b>17</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	<b>17</b>		
	<b>18</b>	Farm income or (loss). Attach Schedule F . . . . .	<b>18</b>		
	<b>19</b>	Unemployment compensation . . . . .	<b>19</b>		
	<b>20a</b>	Reserved . . . . .	<b>20b</b>		
	<b>21</b>	Other income. List type and amount ► _____	<b>21</b>		
	<b>22</b>	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23 . . . . .	<b>22</b>		
<b>Adjustments to Income</b>	<b>23</b>	Educator expenses . . . . .	<b>23</b>		
	<b>24</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	<b>24</b>		
	<b>25</b>	Health savings account deduction. Attach Form 8889 . . . . .	<b>25</b>		
	<b>26</b>	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	<b>26</b>		
	<b>27</b>	Deductible part of self-employment tax. Attach Schedule SE	<b>27</b>		
	<b>28</b>	Self-employed SEP, SIMPLE, and qualified plans . . . . .	<b>28</b>		
	<b>29</b>	Self-employed health insurance deduction . . . . .	<b>29</b>		
	<b>30</b>	Penalty on early withdrawal of savings . . . . .	<b>30</b>		
	<b>31a</b>	Alimony paid <b>b</b> Recipient's SSN ► _____	<b>31a</b>		
	<b>32</b>	IRA deduction . . . . .	<b>32</b>		
	<b>33</b>	Student loan interest deduction . . . . .	<b>33</b>		
	<b>34</b>	Reserved . . . . .	<b>34</b>		
<b>35</b>	Reserved . . . . .	<b>35</b>			
<b>36</b>	Add lines 23 through 35 . . . . .	<b>36</b>			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

<b>SCHEDULE 2</b> (Form 1040)	<b>Tax</b>  ▶ Attach to Form 1040. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.	OMB No. 1545-0074  <div style="font-size: 2em; font-weight: bold;">2018</div> Attachment Sequence No. <b>02</b>																								
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Cat. No. 71478U		Schedule 2 (Form 1040) 2018																								

<b>SCHEDULE 3</b> (Form 1040)	<b>Nonrefundable Credits</b>  ▶ Attach to Form 1040. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.	OMB No. 1545-0074  <div style="font-size: 2em; font-weight: bold;">2018</div> Attachment Sequence No. <b>03</b>																																																
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## Email Guidance – Establishing IRAs for Young Children

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**Q-1** We had a gentleman contact us wanting to open an IRA for his six grandchildren who are minors. He would make contributions into their account for last year and this year. My question is this... can we open an IRA for a minor? He mentioned having their parent~sign the IRA docs for them and making them an UTMA IRA if possible. We've never done anything like this. Any information you can provide would be greatly appreciated.

**A-1** There is no federal law requiring a child be a certain age in order to establish an IRA.

A baby actor or a child actor will benefit by establishing an IRA. A child is eligible to establish an IRA as long as the child has compensation- earnings from a job or because there are self-employment earnings. Having compensation is the key requirement. This is, of course, a tax issue for the child, parents and the grandparent. Did each child earn compensation for 2018 and will each earn compensation for 2019. A child with a certain amount of income is required to file a federal income tax return even if no tax is owed.

I believe it can be very beneficial for a child who has definite proof of compensation to make an IRA contribution. The law is unclear as to whom is eligible to make the IRA contribution. The conservative approach is- the grandparent gives the funds to the child or who then makes the IRA contribution. The law is not clear that a third party other than an employer or a spouse has the right to make an IRA contribution for someone else.

Caveat. An excess IRA contribution situation exists if a person makes an IRA contribution or has one made on their behalf when the person has no compensation. The law assesses a 6% excise tax each and every year the excess IRA contribution(s) remain in the IRA. Interest and penalties would accrue each year the 6% excise tax is not paid. I don't believe there is any statute of limitations applying to excess IRA contributions.

I presume the bank has procedures regarding when it will allow a minor to have a banking account. When will a parent's signature be required or requested? These are issues for the bank's attorney.

Most states have laws that provide a minor who executes a contract has the right to void that contract. My personal opinion is, as long as the IRA contributions go into saving or time deposits the risk to the bank is minimal.

The grandparent should understand that once the money is contributed to the IRA it is owned by the child and the child has the right to withdraw the funds. Could an IRA plan agreement be modified to give the parent authority over distributions? I don't believe so. It may be done with respect to an inherited IRA but not the child's own IRA.

Each child should designate both primary and contingent beneficiaries.

The grandparent, of course, could decide to not give additional funds to a child if distributions were taken.

Are the IRAs being established Roth IRAs or traditional IRAs? There may come a time in the future where the IRS will decide to set up an exam program for Roth IRAs set up when a person was very young. I suggest the bank have some documentation that the bank had no role in the decision to make these IRA contributions other than sharing this email.

## Email Guidance – Direct Rollovers

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**Q-2** I have two questions regarding Direct Rollovers:

1. Does a Direct Rollover count towards the one Rollover in a 12-month period? I wasn't sure how that worked since the check is actually made payable to the bank FBO of the customer.

2. If an employer completes their own Direct Rollover form, which the customer signs, would we need to complete our Rollover form?

**A-2** Your rollover or direct rollover questions are very timely and perceptive.

Neither the 60 day rule nor the once per year rule apply to any direct rollover from a pension plan into an IRA. The once per year rule applies only for IRA to person to IRA transactions. It does not apply to distributions from a pension plan.

**Continued on page 6**



**Direct Rollovers,  
Continued from page 5**

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A pension plan must furnish a special distribution form to the individual. It is called a section 402(f) form or notice. One of the options for the individual is to complete the form to instruct that she or he is doing a direct rollover to their traditional IRA or their Roth IRA.

If your client will furnish you a complete copy of that distribution form, including the portion where they instruct to do the direct rollover, then the bank does not need this person to complete a rollover certification form. Although completion of the rollover certification form is "extra" insurance if you would obtain it as the form informs the person that he or she assumes responsibility if for some reason the distribution would be found ineligible to be directly rolled over.

## **Email Guidance – Deceased Spouse's Roth IRA Becomes Roth IRA of Surviving Spouse**

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**Q-3** We have a customer who had a Roth IRA. She passed away and the husband (beneficiary) did not transfer to him before he passed away. She passed away in 2016 and he passed away this week (2019). Do we go ahead and transfer to him/estate or do we transfer to contingent beneficiary.

**A-3** You indicate the Roth IRA owner died in 2016. There are two reasons her Roth IRA became his Roth IRA.

First, if he did not take his RMD from the inherited Roth IRA in 2017, then he is deemed to have elected to have the inherited Roth IRA become his own Roth IRA. This happens as a matter of law whether or not he or the bank changed any records.

Second, we have written the Roth IRA plan agreement to provide that her IRA became his Roth IRA if he made no election of the five year rule or the life distribution rule by 9/30/2017.

Did he have his own Roth IRA? Hopefully he did and he had named a beneficiary.

Did he designate a beneficiary with respect to this Roth IRA?

The bank should have established for him in 2017 either an inherited Roth IRA or his own Roth IRA.

Although he may not have wanted to act with respect to this inherited account, he needed to and the bank also needs to.

Under IRS reporting rules, the bank was required to prepare a 2016, 2017 and 2018 Form 5498 for him showing the FMV of the Roth IRA. If the Form 5498 reporting was done for her, this is incorrect.

When did she open her Roth IRA? If she had met the 5-year rule, each and every distribution to a Roth IRA beneficiary will be tax-free.

If she had met the 5-year rule, so had he and so has his beneficiary.

If he did not designate a beneficiary, his beneficiary is his estate. You should establish an inherited Roth IRA, the John Doe estate abo John Doe's Roth IRA.

Because his estate is the beneficiary, the 5-year rule must apply and the life distribution rule is inapplicable. As such, the five year rule will apply to the estate and the Roth IRA must be closed by 12/31/2025.

Had he designated a beneficiary this inherited Roth IRA would have earned tax free income for, the life expectancy of the beneficiary. This is a situation which should be avoided.

## **Email Guidance – Transferring IRAs After 70<sup>1/2</sup>**

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**Q-4** Could she transfer her IRA from another institution into this one here or not, since she is over 70<sup>1/2</sup>. She is trying to consolidate.

**A-4** A person who is subject to the RMD rules may consolidate a number of IRAs at one bank.

A person can transfer an IRA subject to an RMD at Bank #1 to Bank #2. The 2019 RMD then must be taken from Bank #2 by 12/31/2019.

Transferring an RMD is permissible whereas taking a distribution and rolling it over is not allowed.

The law has been designed so that there is a time a traditional IRA will cease to exist so that the tax benefits end.

The law requires a person age 70<sup>1/2</sup> or older to take a RMD each year.

**Continued on page 7**

Transferring IRAs,  
Continued from page 6

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It appears your customer wants to get around the RMD rule.

In general, once an RMD is withdrawn it cannot be re-contributed as an annual contribution or as a rollover contribution.

The only exception I'm aware of is - if a person has both a traditional IRA and a SEP-IRA or SIMPLE IRA, the person must take an RMD from each such IRA each year. However if the person is self-employed and is still eligible for a SEP IRA contribution or a SIMPLE IRA contribution, then the person can use the RMD amounts as the source of cash to make their the SEP-IRA or SIMPLE IRA contribution.

## Email Guidance – Excess HSA Contribution

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**Q-5** We have a customer who made an excess contribution into his HSA account for 2018. The excess contribution was in the amount of \$1,175. The customer only has \$270.03 in his account so we can't have him withdraw the excess contribution. How do we handle that? Do we, simply send his 5498-SA and let him consult with a tax professional on how this will affect him or is there something else we should do?

**A-5** The IRS has not furnished sufficient helpful guidance on the topic of excess HSA contributions.

The bank should consider the approaches discussed below and then settle on its administrative approach.

What is to be done when the HSA owner informs the HSA custodian that he or she has made an excess HSA contribution?

It is not clear to me if the contribution was made in 2018 for tax year 2018 or was made in 2019 for tax year 2018. For discussion. Purposes I am assuming it was made in 2018 for tax year 2018.

The bank is to prepare the 2018 Form 5498-SA and box 2 will be completed to report the total contribution amount made in 2018, including the excess amount of \$1,175.

The HSA owner is responsible to complete the 2018 Form 8889 (and Form 5329) and explain that he made

an excess contribution and whether or not it has been corrected by withdrawing the excess.

A person who has a normal HSA distribution will receive a Form 1099-SA with a reason code 1 for a normal distribution. A person who withdraws an excess HSA contribution will receive a Form 1099-SA with a reason code 2.

The bank should consider three approaches:  
Approach #1. Have the person withdraw the \$270.03 and then inform him that some of the 2018 distributions (\$879.97) which were processed as normal HSA distributions were really the withdrawal of excess contributions and he/she or the tax accountant will need to explain to the IRS. Under this approach the bank does not modify the 2018 Form 1099-SA.

Approach #2. Will HSA contributions be made in 2019? One possible approach, the person makes a sufficient 2019 contribution and then withdraws the \$1,150 (plus earnings) before 4/15/19. The bank will prepare the 2019 Form indicating the excess of \$1,150 was withdrawn in 2019.

Approach #3. Have the person withdraw the \$270.03 and also inform him that the bank is going to change the 2018 1099-SA which was prepared as follows. The bank will prepare two 2018 1099-SA forms. One form will report \$879.97 (\$1,150- \$270.03) as the withdrawal of an excess and the remainder as a normal distribution. The bank would report the withdrawal of the \$270.03 on the 2019 Form 1099-SA.

In order to get the 2018 1099-SA for the \$879.97 the bank would change the transaction code for certain distributions from normal to excess. If the 2018 Form 1099-SA has already been mailed, a corrected form would need to be prepared with respect to the "normal" amount and a new Form 1099-SA would need to be prepared for the excess amount withdrawn in 2018.

CWF believes a person who has made an excess contribution and then withdraws such funds cannot complete their tax return to show the distribution was normal because it was not. The person was withdrawing an excess contribution. The IRS needs to furnish more helpful guidance.

## Email Guidance – Distribution of Inherited Funds in Iowa

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**Q-6** A lady has a Roth IRA and at the time of opening she named her husband as the beneficiary. The couple has divorced. The lady never changed her beneficiary. The lady has now passed away with the beneficiary of the Roth IRA being her now ex-husband.

What is the Iowa law regarding the distribution of the inherited funds?

We are also checking with our bank attorney. We will update you after she researches the situation.

**A-6** The state of Iowa has enacted a statute - 598.208 which covers the IRA divorce situation. Upon divorce the prior designation of the ex-spouse becomes void unless the IRA owner would re-designate the ex-spouse to again be the designated beneficiary.

This statute changed the law as determined by the Iowa Supreme Court in Schultz v. Schultz in 1999.

The 5-year rule applies to a Roth IRA when a person's estate is the designated beneficiary of a Roth IRA.

As presently written, the CWF form defines the decedent estate to be the beneficiary when no one else has been designated as a beneficiary (primary or contingent). The designation of the ex-spouse is voided.

The 5-year rule does not require that there be an immediate lump sum distribution. However, it does require that the inherited Roth IRAs be closed by 12/31/2025 if the Roth owner dies in 2019.

If she had her Roth IRA for at least 5-years, all distributions from the inherited Roth IRA will be tax free.

The two children will not have the right to stretch out distributions (tax-free) over their life expectancy which would have been the case if they had been designated as the contingent beneficiaries.

## Email Guidance – Preparing IRS Forms for a Roth IRA Conversion

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**Q-7** One of our other IRA staff, received this IRA paper work and handled this closure. The accountholder is

contacting me now as they never received a 1099-R from us.

It appears this was to be a conversion of traditional IRA funds at our bank to a Roth with JH Investors. Our staff treated it as a transfer, thus not generating him a 1099-R form.

I believe this should have been completed as a Distribution on our end (converting traditional funds to Roth funds) thus we would have generated a 1099-R which would match up with the 5498 he received. Would you agree with that?

**A-7** Yes. The paper work. from JH Investors clearly indicated the funds were being moved from a traditional IRA with Mainstreet Savings into a Roth IRA with JH Investors. Consequently, your bank was/is required to prepare a 2018 Form 1099-R reporting this special transfer distribution as taxable, but not subject to the 10% tax if the person was under age 59½.

Although this was a special transfer transaction, it is a reportable transfer in contrast to a transfer which is not reportable. The IRS defines many transfers as not being reportable, but not this transfer.

A reportable transaction is one which the IRS says must be reported.

## Email Guidance – IRA Rollovers

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**Q-8** We have a client that has a Rollover IRA, Simple IRA and a SEP IRA at another firm. He would like to transfer those IRA's to AAA Trust, but, was wondering IF they or any could be combined, so he doesn't have 3 different IRA accounts.

**A-8** The law permits a person who has a traditional IRA (rollover IRA), a SEP IRA and a SIMPLE IRA to combine (i.e. transfer) all three into one traditional IRA, one SEP IRA or one SIMPLE IRA if the person has met the two year rule applying to SIMPLE IRAs. The two year rule is- two years must have elapsed since the first SIMPLE IRA contribution was made for the person.

Presumably, the person would maintain one traditional IRA.