

# THE Pension Digest

January 2023  
Published Since 1984

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Do Not Report 2023 RMDs for Beneficiaries on the 2022 Form 5498, Page 8

**Collin W. Fritz and Associates, Inc.,**  
“The Pension Specialists”



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## Final Review 2022 Form 5498

2022 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747		<b>IRA Contribution Information</b>
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)	2022	
		\$	2 Rollover contributions	Form 5498
		\$	3 Roth IRA conversion amount	
TRUSTEE'S or ISSUER'S TIN		\$	4 Reclassified contributions	<b>Copy A</b>  <b>For Internal Revenue Service Center</b> File with Form 1096.
PARTICIPANT'S TIN		\$	5 FMV of account	
		\$	6 Life insurance cost included in box 1	For Privacy Act and Paperwork Reduction Act Notice, see the 2022 General Instructions for Certain Information Returns.
		\$	7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	
PARTICIPANT'S name		\$	8 SEP contributions	9 SIMPLE contributions
Street address (including apt. no.)		\$	10 Roth IRA contributions	11 Check if RMD for 2023 <input type="checkbox"/>
		\$	12a RMD date	12b RMD amount
City or town, state or province, country, and ZIP or foreign postal code		\$	13a Postponed/late contrib.	13b Year 13c Code
		\$	14a Repayments	14b Code
		\$	15a FMV of certain specified assets	15b Code(s)
Account number (see instructions)		\$		

Form 5498

Cat. No. 50010C

www.irs.gov/Form5498

Department of the Treasury - Internal Revenue Service

### Deadlines to Furnish

The due dates for the 2022 Form 5498 are: furnish copy B to the IRA accountholder by May 31, 2023 and file Copy A with the IRS also by May 31, 2023. If you file electronically, you must comply with the filing specifications set forth in Publication 1220.

### What's New For 2022? Form 5498

**Online fillable forms.** To ease statement furnishing requirements, Copies B, C, D, 1, and 2 are fillable online in a PDF format at IRS.gov/Form1099R and IRS.gov/Form5498. You can complete these copies online for furnishing statements to recipients and for retaining in your own files.

### Account Number

1. On the bottom left there is an "Account Number" box. The IRA custodian is required to insert an account number in this box when filing more than one Form 5498 for the same person. If your institution wants to earn some bonus points with the IRS, you will complete this box even though it is not required. IRS instructions state the account number must be unique. This instruction that this number must be unique can be confusing. It must be unique with respect to this particular IRA account owner. If a person has 3 IRAs each one must have an account number which is different. The account numbers could be 01, 02 and 03. The

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**2022 Form 5498,**  
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purpose of the account number is to identify which Form 5498 is being corrected when there have been multiple 5498 forms prepared for a person and a correction is now being submitted to IRS. It is best if the account number is not based on the person's SSN.

2. In Box 7 only one of the 4 boxes must be checked to indicate the type of IRA. A person who has a traditional IRA, SEP IRA and Roth IRA would need to be furnished three 5498 forms.

**Contribution Amounts**

3. **Box 1. IRA Contributions** (other than amounts in boxes 2-4, 8-10, 13a and 14a). Enter the amount of the annual contributions made on or after January 1, 2022 through April 18, 2023 as designated for 2022. The IRA custodian is to report the gross amount of the annual contributions even if such contributions are excess contributions, or will be later recharacterized. A traditional IRA contribution, which is not properly reported in one of the other traditional IRA boxes as discussed below, is to be reported in box 1. For example, if a person tries to roll over \$28,000, but does so on day 70 and does not furnish a late rollover certification and the IRA custodian learns of this fact prior to filing the current year's Form 5498, then the IRA custodian must report this \$28,000 in box 1. This same procedure would apply if somehow non-IRA funds had been mistakenly transferred into an IRA. If an excess contribution is treated as a contribution in a subsequent year under section 219(f)(6), do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution on Form 5498 for the year it was actually contributed. For contributions made between January 1 and April 18, 2023, trustees and issuers should obtain the participant's designation of the year for which the contributions are made.

4. **Box 2. Rollover Contributions.** Enter the amount of the rollover contributions made on or after January 1, 2022 through December 31, 2022. Made means received by the traditional IRA custodian.

A late rollover contribution made pursuant to a late rollover certification is reported in box 13a and not box 2.

A rollover may either be an indirect rollover or a direct rollover.

A direct rollover occurs when an employer plan issues the check to the IRA custodian on behalf of the individual. By definition, a direct rollover cannot occur between IRAs. Employer plan means a qualified plan, section 403(b) plan or a governmental section 457(b) plan. The funds attributable to a nonspouse beneficiary of such plans are eligible to be directly rollover to an inherited IRA and would be reported in Box 2.

An indirect rollover means the paying plan (could be an IRA or an employer plan) issues the distribution check to the individual who then makes a rollover contribution by the 60 day deadline. A 60 day indirect rollover may occur between two traditional IRAs, two SEP-IRAs, or between a traditional IRA and a SEP-IRA or vice versa.

Remember that nonspouse IRA beneficiaries are ineligible to roll over a distribution from one inherited IRA and redeposit it into another inherited IRA.

These contributions may be any of the following.

- A 60-day rollover between Roth IRAs or between other types of IRAs.
- A direct or indirect (within 60 days) rollover from a qualified plan, section 403(b) plan, or governmental section 457(b) plan.
- Any qualified rollover contribution as defined in section 408A(e) from an eligible retirement plan (other than an IRA) to a Roth IRA.
- A military death gratuity.
- An SGLI payment.

For the rollover of property, enter the FMV of the property on the date you receive it. This value may be different from the value of the property on the date it was distributed to the participant.

5. **Box 3. Roth IRA Conversion Amount.** This box will be completed when a conversion contribution is made to a Roth IRA from a traditional IRA, SEP-IRA or SIMPLE-IRA. Do not include the rollover of non-Designated Roth funds from a 401(k) or similar plan

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into a Roth IRA. Such rollover contributions are to be reported in box 2.

**6. Box 4. Recharacterized Contributions.** The IRS instructions are very brief, "Enter any amounts recharacterized plus earnings from one type of IRA to another." If a person had made an annual contribution he or she may elect to recharacterize it as adjusted by earnings or losses. The total amount recharacterized is to be reported in box 4. Although the IRS instructions use the term, "plus earnings, the IRS should use the term, "plus or minus earnings or losses."

**7. Box 5. Fair Market Value of Account.** The IRS instructions for this box are also very brief, "Enter the FMV of the account on December 31."

The IRS added a caution to self-directed and trust IRAs as follows: "Trustees and custodians are responsible for ensuring that all IRA assets (including those not traded on established markets or with otherwise readily determinable market value) are valued annually at their fair market value."

The instruction to report the FMV as of December 31 applies whether there is a living IRA account holder or an inheriting IRA beneficiary.

If the IRA accountholder or inheriting beneficiary is alive as of December 31, the individual closed his or her IRA during the year by taking a total distribution and he or she made no "reportable contribution", then the IRA custodian is not required to prepare and file the Form 5498. However, if the IRA accountholder or inheriting beneficiary died during the year, the IRA custodian will need to prepare a final Form 5498 for the deceased IRA accountholder or inheriting beneficiary as discussed below.

With respect to a deceased accountholder or a deceased inheriting IRA beneficiary, the IRS gives the IRA custodian two options. Option #1 - report the FMV as of the date of death. Option #2 - report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because the IRA custodian will be reporting the end of year value on the Form 5498's for the beneficiary or beneficiaries. If Option #2 is used, the IRA custodian must inform the executor or

administrator of the decedent's estate of his or her right to ask for the FMV as of the date of death.

If the IRA custodian does not learn of the individual's death until after the filing deadline for the Form 5498 (i.e May 31), then it is not required to prepare a corrected Form 5498. However, an IRA custodian must still furnish the FMV as of the date of death if requested to do so.

**8. Box 6. Life Insurance cost included in box 1.** An IRA custodian will leave this box blank or will insert a 0.00 since it is only to be completed if there was a contribution to an IRA endowment contract as sold by an insurance company a long time ago.

**9. Box 8. SEP Contributions.** Any SEP contributions made to the IRA custodian during 2022 are to be reported in box 8. Such contributions could have been for 2021 or 2022. Contributions made in 2023 for 2022 are to be reported on the 2023 Form 5498.

**10. Box 9. SIMPLE Contributions.** Any SIMPLE-IRA contributions made during 2022 are to be reported in box 9. Such contribution could have been for 2021 or 2022. Contributions made in 2023 for 2022 are to be reported on the 2023 Form 5498.

**11. Box 10. Roth IRA Contributions.** Any Roth IRA contributions for 2022 are to be reported in box 10 as long as made between January 1, 2022 and April 18, 2023.

**12. Box 11. Check if RMD for 2023.** An IRA custodian is required to check this box if the traditional IRA SEP-IRA or SIMPLE-IRA accountholder attains or would attain age 73 or older during 2023. The instructions do not discuss whether or not this box is to be checked for an inheriting traditional IRA beneficiary. It should not be checked for an inherited IRA. Completing this box is necessary only if the IRA custodian is required to prepare a 2022 Form 5498 for a person. This box is not checked with respect to an individual who died during 2022 and who would have attained age 72 or older during 2022 had he or she lived.

**13. Boxes 12a (RMD date) and 12b (RMD Amount).** An IRA custodian's use of these two boxes is optional, it is not mandatory.

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Under current IRS procedures, the IRS does not require the traditional IRA custodian to furnish it with the RMD amount. The law is unsettled whether or not the IRS has the legal authority to require that an IRA custodian furnish the RMD amount. Since the IRS would like to be furnished this information, the IRS has added boxes 12a and 12b to the Form 5498.

The approach adopted by the IRS is that an IRA custodian by completing boxes 11, 12a and 12b on the Form 5498 and furnishing it to the IRA accountholder will meet the requirement that it must furnish a RMD Notice by January 31. The IRS instructions do permit the IRA custodian to furnish to the IRA accountholder a separate Form 5498 with the only information being furnished is the information for boxes 11, 12a and 12b.

**14. Box 13a. Postponed contributions and late rollover contributions.** Our federal tax laws are complicated and the reporting of certain special IRA contributions is complicated.

There is a limit as to the number of boxes which are present on the Form 5498 (IRA Contributions) to be used to inform the IRS and the taxpayer that a taxpayer has made various types of IRA contributions. There are standard contributions and then there are special contributions such as postponed contributions, late rollover contributions, qualified plan loan offsets and repayment contributions.

Boxes 13 and 14 are to be completed to report special contributions such as postponed contributions, late rollovers and repayments of disaster distributions.

2022 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747	
TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		2022 IRA Contribution Information	
TRUSTEE'S or ISSUER'S TIN		Form 5498	
PARTICIPANT'S TIN		Copy A	
PARTICIPANT'S name		For Internal Revenue Service Center	
Street address (including apt. no.)		File with Form 1096.	
City or town, state or province, country, and ZIP or foreign postal code		For Privacy Act and Paperwork Reduction Act Notice, see the 2022 General Instructions for Certain Information Returns.	
Account number (see instructions)			
1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a)	2 Rollover contributions	3 Roth IRA conversion amount	4 Recharacterized contributions
\$	\$	\$	\$
5 FMV of account	6 Life insurance cost included in box 1	7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	8 SEP contributions
\$	\$	9 SIMPLE contributions	\$
10 Roth IRA contributions	11 Check if RMD for 2023	12a RMD date	12b RMD amount
\$	<input type="checkbox"/>	\$	\$
13a Postponed/late contrib.	13b Year	13c Code	14a Repayments
\$			\$
14b Repayments	14c Code	14d Code	14e Code
\$			
15a FMV of certain specified assets	15b Code	15c Code	15d Code
\$			

The IRS has furnished the following instructions

for completing the 3 boxes that make up Box 13. Box 13 reports postponed contributions and certain special late rollovers.

Some IRA owners are entitled to make an IRA contribution for a prior year in addition to make a current year contribution. Report the amount of the postponed contribution.

If the IRA owner makes a prior year contribution for more than one year, each year's prior year postponed contribution must be reported on a separate Form 5498.

Some IRA owners will make late rollover contributions pursuant to the IRS procedures set forth in Rev. Proc. 2016-47. Report the amount of the late rollover contribution.

Box 13a. This is titled Postponed/late Contribution in the 2019-2022 instructions. The IRS should change the title to somehow make clear it is a late rollover contribution.

If an IRA owner makes both a postponed contribution and a late rollover contribution, there must be two separate 5498 forms prepared.

Unless the IRS has issued special guidance, there cannot be two late rollover contributions in the same year because of the once per year rollover rule. However, a person could have made a rollover of a qualified plan loan off-set amount. A separate Form 5498 would need to be prepared.

For 2019 and subsequent years there are two important changes with respect to reporting certain rollovers. Reports rollovers made with respect to qualified plan loan off-sets and for affected taxpayers in a federally declared disaster area. Note that there is no discussion for the reporting of a person's rollover after the IRS has returned levied funds. Most likely the IRS will provide such guidance later.

Box 13b. Year

Enter the year for which the postponed contribution was made if a postponed contribution. Leave blank if a late rollover contribution or a rollover of a qualified plan loan off-set amount.

Note that the IRS does not provide guidance for reporting the rollover of IRA funds levied by the IRS but returned to the taxpayer.

Box 13c. Code

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Enter the applicable reason code for a postponed contribution.

For service in a combat zone enter the appropriate code as set forth at end of this guidance.

Enter FD for affected taxpayers of a federally declared disaster.

Enter PO for taxpayers who made a rollover of a qualified plan loan off-set amount.

Enter SC for taxpayers who made a late rollover certification.

**15. Box 14 reports repayment contributions.**

A person can make three types of repayments, a repayment of a qualified reservist distribution, a designated disaster distribution or related to a qualified birth or adoption distribution.

Box 14a. Repayments.

Enter the amount of the repayments.

Box 14b. Code.

Enter QR for the repayment of a qualified reservist distribution.

Enter DD for the repayment of a federally designated disaster distribution.

Enter BA for the repayment of a qualified birth or adoption distribution.

The instructions don't expressly state that separate forms are to be prepared if a person would have both transactions, but it is implied by having separate codes.

See the following special codes applying to certain individuals serving in combat zones, hazardous duty zones or who have served in an active support area.

a. Use "EO13239" for Afghanistan and those countries in direct support, including Djibouti, Jordan, Kyrgyzstan, Pakistan, Somalia, Syria, Tajikistan, Uzbekistan, and Yemen.

b. Use "EO12744" for the Arabian Peninsula, including air space and adjacent waters (the Persian Gulf; the Red Sea; the Gulf of Oman; the Gulf of Aden; the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude; the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates; Lebanon, and Turkey east of longitude 33.51E), and Jordan which is in direct support of the Arabian Peninsula.

c. Use "EO13119" or "PL106-21" (Public Law 106-21) for the Federal Republic of Yugoslavia (Serbia and Montenegro), Albania, Kosovo, the Adriatic Sea, and the Ionian Sea north of the 39th parallel. (**Note.** The combat zone designation for Montenegro and Kosovo (previously a province within Serbia) under Executive Order 13119 remains in force even though Montenegro and Kosovo became independent nations since EO13119 was signed.)

d. Use "PL115-97" (Public Law 115-97) for the Sinai Peninsula of Egypt.



*For additions to, or subtractions from, the list of combat zones or qualified hazardous duty areas implemented by executive orders and public laws, and direct support areas designated by the Secretary of Defense, after the publication date of these instructions, go to [IRS.gov/Form5498](https://www.irs.gov/Form5498).*

**Electronic filers.** You may request an automatic waiver from filing Forms 5498 for combat zone participants by submitting Form 8508, Request for Waiver From Filing Information Returns Electronically. Once you have received the waiver, you may report all Forms 5498 for combat zone participants on paper. Alternatively, you may report contributions made by the normal contribution due date electronically and report the contributions made after the normal contribution due date on paper. You also may report prior year contributions by combat zone participants on a corrected Form 5498 electronically or on paper.

**16. Box 15a. FMV of certain specified assets.** Completion of Boxes 15a and 15b is mandatory for 2021 and subsequent years. If you are an IRA custodian or trustee with IRA assets of which the fair market values are not readily determinable, you should review the following.

Box 15a is titled FMV of certain specified assets.

Box 15b will be used to furnish info on the type of the investment. It is titled "Codes."

The IRS has developed an administrative approach

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so that it can better administer IRAs that hold non-market assets. Such IRAs may either be trust IRAs or self-directed custodial IRAs. It appears the IRS will choose to audit more IRAs holding non-market assets than those holding only market assets. Without a doubt, it is more likely that prohibited transactions occur with respect to IRAs holding non-market assets than market assets.

Box 5 will still be used to report the FMV of the entire IRA. The total FMV will equal the FMV of the easy to value assets plus the FMV of the hard to value assets. An asset where there is a readily available market to determine an asset's value is an easy to value asset. When there is no readily available market to be used to determine an asset, this is a hard to value asset. It is also known as a non-market asset.

Box 15a will be used to report the FMV of all of the non-market assets. These are the assets which are not readily tradable on an established U.S. or foreign securities market or option exchange or that do not have a readily available FMV. The IRS does not define what is meant by "does not have a readily available FMV." As for box 5, the IRS states that the FMV must be determined annually. The amount in box 15a may be the same as in box 5, but most likely will be less as will be the case when there are both easy to value and hard to value assets in the same IRA.

The FMV of the "market" assets may be determined by subtracting the FMV of the non-market assets (box 15a) from box 5.

In box 15b, one or two letter codes must be inserted to identify the type or types of the non-market investment. If only one code applies, insert that one code. If only two codes apply, then insert both codes. However, if more than two codes apply, then enter a Code H. Code H means there are more than two non-market assets held in the IRA. From the perspective of the IRA accountholder, he or she may prefer to have at least three hard to value assets rather than just one or two because when an "H" is used the IRS does not know specifically what assets are owned and would need to obtain this information from additional communications with presumably the IRA accountholder.

There are 7 identifying codes:

- A – Stock or other ownership interest in a corporation that is not readily tradable on an established U.S. or foreign securities market.
- B – Short or long-term debt obligation that is not traded on an established securities market.
- C – Ownership interest in a limited company or similar entity (unless the entity is traded on an established U.S. or foreign securities market).
- D – Real Estate
- E – Ownership interest in a partnership, trust, or similar entity (unless the entity is traded on an established U.S. or foreign securities market).
- F – Option contract or similar product that is not offered for trade on an established U.S. option exchange or established foreign option exchange.
- G – Other asset (i.e. not described in A-F) that does not have a readily available FMV.
- H – More than two types of assets (listed A through G are held in this IRA).

In summary, the IRS requires an IRA custodian/trustee to furnish certain information regarding hard to value assets. The IRS will presumably use this information to determine if it wishes to gather additional information. The IRA custodian/trustee wants to know that it has prepared as many 5498 forms as the rules require and that each form has been prepared correctly.

- 17. Duty To Prepare/Furnish Corrected Form 5498.** An IRA custodian is required to prepare a corrected form 5498 as soon as possible after it learns there is an error on the original form as filed. The IRS furnishes the following example. "If you reported as rollover contributions in box 2, and you later discover that part of the contribution was not eligible to be rolled over and was, therefore, a regular contribution that should have been reported in box 1 (even if the amount exceeds the regular contribution limit), you must file a corrected Form 5498."

## Inherited IRA Reporting – Form 5498 and FMV Statement

This article discusses the proper reporting for Inherited IRAs.

IRS Revenue Procedure 89-52, a required procedure since 1989, dictates how an IRA Custodian/Trustee is to report IRAs once the IRA Accountholder has died. The procedure has not changed since 1989, and is to be used as soon as the IRA Custodian/Trustee knows of the death of the IRA Accountholder! Knowledge of death means anywhere in your financial institution. If the checking account department, the loan department, or the safety deposit vault department knew of the death but the IRA department did not, that is a lack of communication, NOT a lack of knowledge!

There are two aspects to complying with this procedure: One for the reporting for the deceased IRA Accountholder; the other for the reporting to the beneficiary.

The usual comment we hear is “The beneficiary has not come in” or “The beneficiary has not done anything with the IRA.” Neither one of these comments has anything to do with your required reporting if there is knowledge the IRA owner has died. The IRS’ position is that the IRA becomes an Inherited IRA owned by the beneficiary at the moment of death. And, the IRA Custodian/Trustee must report it accordingly. This applies to all beneficiary situations, spouse or nonspouse.

### Reporting for the Deceased IRA Accountholder

For the year of death, there is required reporting for the decedent.

A year-end Fair Market Value (FMV) statement must be produced in the name and Social Security Number (SSN) of the deceased IRA Accountholder. The FMV that is reported is either the FMV as of the date of death, or zero. It is never the actual December 31 FMV unless the IRA Accountholder died on December 31. If the zero balance option is reported, the availability of the FMV on the date of death must be disclosed to the decedent’s representative on both the FMV statement and in the instructions to the participant for Form 5498.

The IRS Form 5498 for the year of death must also be

prepared in the name and SSN of the decedent, showing the FMV as was reported in the FMV statement at the end of the year. (All other reports for the decedent for IRA transactions completed before the death are, of course, also reported.)

These are the last reports/statements/ forms prepared in the name and SSN of the deceased, whether the beneficiaries address the situation or not. But the responsibilities of the IRA Custodian/ Trustee are just beginning because it also has reporting requirements for each Inherited IRA beneficiary starting with the year of death. It makes no difference that a beneficiary has not contacted the custodian/trustee. The reporting requirements are the financial institution’s as soon as it knows of the death.

### Reporting for the Inherited IRA/Beneficiary

Beginning in the year of death, the FMV of the Inherited IRA as of December 31 must be reported to each beneficiary. Each beneficiary must receive the statement showing their share of the December 31 FMV. This applies for all beneficiaries including spouses, non-spouses, trusts, estates, charities, foundations, etc. It is their Inherited IRA balance and it must be reported separately. It is reported in the name and SSN or TIN of the beneficiary, noted as beneficiary of the decedent. For instance,

ABC Financial Institution for the benefit of Jane Doe as beneficiary of Mary Doe’s traditional IRA.

The SSN of the deceased can never be used for reporting to any beneficiary, including estates and trusts. IRS Form 5498 is also required for each beneficiary, reporting the FMV as was reported in their year-end FMV statement.

This reporting procedure for the beneficiary is required for each subsequent year there is a balance in the inherited IRA as of December 31. Of course, distributions to a beneficiary will be reported on Form 1099-R.

### Common Consulting Call Question

The IRA accountholder died in 2022, the financial institution knew of the death, and the beneficiaries are

**Reporting,  
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just coming into the office now, April 2023. The IRA is still in the name and SSN of the deceased. What do we do?

IRS Rev. Proc. 89-52 requires that the reporting procedures be complied with. The year-end FMV statements must be corrected and the Form 5498s must be prepared correctly as described above. It was an Inherited IRA in 2022 and must be reported as such, even if the beneficiary is the spouse and the spouse now intends to treat it as his or her own IRA in 2023.

**What if the IRA custodian did not know of the IRA Accountholder's death?**

Obviously, if you do not know of the death, the reporting can not be done. But it does make a difference when you find out about the death. If you learn of the death before February 1 of the year after the death, even if your FMV Statements are already sent, this procedure applies. Any FMV Statement already sent would need to be corrected.

If you learn of the death between February 1 and May 31, the FMV Statement does not need to be amended, but likely should be because the Form 5498 procedure as described above must be complied with. So that your Form 5498 and your year end statement balance agree, you likely will want to correct the December 31 FMV.

If you learn of the death after May 31, neither the FMV Statement nor the Form 5498 for the year of death needs to be corrected. However, all future reports and statements must be prepared in a complying fashion. And, the FMV on the date of death must be made available to the decedent's representative if so requested.

**Conclusion**

This is a fairly complicated and administratively heavy procedure and we have heard that some systems do not make it easy to do the mandated reporting correctly. Never the less, it is required. IRS penalties on the financial institution for non-complying reporting can be severe, and can be assessed as far back as the IRS cares to go.

If you have any questions concerning this complicated and required procedure, please contact our Consulting Department.

## **Do Not Report 2023 RMDs for Beneficiaries on the 2022 Form 5498**

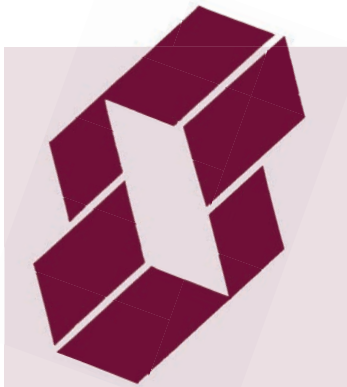
The IRS policy regarding IRA beneficiaries and RMD reporting since 2002/2003 has been that an IRA custodian is NOT required to report the RMDs for inherited/beneficiary IRAs. The IRS for many years has furnished instructions for the IRA custodian to complete and furnish Forms 1099-R and 5498. Discussion of RMDs starts on the bottom of page 18. On page 18 of the 2022 Instructions for Forms 1099-R and 5498 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 described above)." The IRS has not issued any further guidance.

No reporting means that box 11 is not to be checked for a beneficiary. Because of this rule, the IRS has also adopted the policy that the IRA custodian is not required to furnish an inheriting IRA beneficiary with an RMD Notice as it must to living accountholders. Some IRA custodians have asked "even though the IRA custodian is not required to furnish this RMD information on the Form 5498 to either the IRS or the beneficiary, may we choose to do so?" With respect to furnishing a Form 5498 for a beneficiary to the IRS with box 11 being checked, we at CWF believe the conservative answer is to not do so. If the IRS does not require this information be furnished to the IRS, we expect that most beneficiaries would choose to not have it furnished to the IRS.

If an IRA custodian would choose to voluntarily furnish this information to the IRS, such IRA custodian will want to determine if its IRA plan agreement authorizes such action. We would be surprised if the IRA plan agreement authorizes the IRA custodian to send information to the IRS which is not required.

CWF in the past has recommended that a beneficiary be provided an RMD notice even though the IRS instructions for Form 1099-R Form 5498 do not require it. In order to lessen the likelihood that a beneficiary who has a missed RMD will try to argue that it was the IRA custodian's fault, we suggest furnishing an RMD notice to a beneficiary. The reason is - the IRA plan agreement requires that distributions are to be made once the IRA accountholder has died. This requirement applies to both the IRA beneficiary and the IRA custodian/trustee.





# THE Pension Digest

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## 2022 IRA Contribution Deadline is Tuesday, April 18, 2023 Due to Emancipation Day

April 15, 2023 is a Saturday and the following Monday is April 17th, yet April 17th is not the tax filing deadline. April 18, 2023 is the tax filing deadline. Why?

Two different holidays may impact the general April 15th tax filing deadline.

The standard tax filing deadline is modified because April 15th is a Saturday and in 2023 both the Emancipation Day holiday and Patriot's Day holiday are observed on Monday April 17th. The tax filing deadline must be the day following a holiday.

The federal rule is that when April 15th falls on Saturday, Sunday or a legal holiday, then a tax return is considered timely filed on the next succeeding day which is NOT a Saturday, Sunday or holiday.

Emancipation Day is April 16th and it is a legal holiday in Washington, D.C. In some years this holiday will impact the deadline for filing federal income tax returns.

Emancipation Day is a legal holiday recognized in the District of Columbia. The IRS has ruled that the observance of this legal holiday has implications nationwide. Emancipation Day is April 16th of each year. However, if the 16th falls on Saturday, the holiday is observed on the preceding Friday (i.e. the 15th) and if the 16th falls on Sunday it is observed on the following Monday (i.e. the 17th). In both cases the tax filing deadline of April 15th will be revised since the tax filing deadline cannot be a

Saturday, Sunday or legal holiday. It will be the next day following a Saturday, Sunday, or legal holiday which itself is not a Saturday, Sunday or legal holiday.

For certain states, Patriot's Day is a holiday and it is defined to be the third Monday in April of 2023. So, this holiday also modifies the tax filing deadline to be Tuesday April 18, 2023.

Be aware that taxpayers of states which have suffered disaster have a deadline later than April 18, 2022.

**IRA Contribution Limits for 2021 – Unchanged \$6,000 and \$7,000**

**IRA Contribution Limits for 2022 – Changed \$6,500 and \$7,500**

**IRA Custodian's Deadline for 2022 5498 Forms**

The January newsletter contained a number of articles discussing the 2022 IRS Form 5498. The chart below lists the various form types and due dates.

Type of Account	Type of Form	Due to Owner	Due to IRS
Traditional	5498	5/31/23	5/31/23
Roth	5498	5/31/23	5/31/23
HSA	5498-SA	5/31/23	5/31/23
CESA	5498-ESA	5/1/23	5/31/23

## Tax Filing and IRA Deadline Extended to October 16, 2023 For 3 States With Recent Disasters

The tax laws now require the IRS in certain disaster situations to extend the tax filing deadline (and the deadline for making IRA and HSA contributions) as well as other tax deadlines.

The IRS issued news release IR-2023-22 on February 24, 2023. The new tax filing deadline is October 16, 2023 for most of the California and parts of Alabama and Georgia.

This new deadline applies to taxpayers who will be establishing and making contributions to their IRAs and HSAs. It also applies to other tax sensitive acts such as rollovers. A tax professional should be contacted for assistance.

It is unclear if the IRA custodians and HSA custodians in these disaster areas also have new deadlines for filing the 5498 forms. The IRS needs to give guidance on this subject.

Set forth below are the first two paragraphs of this news release.

**WASHINGTON-** Disaster-area taxpayers in most of California and parts of Alabama and Georgia now have until Oct. 16, 2023, to file various federal individual and business tax returns and make tax payments, the Internal Revenue Service announced today. Previously, the deadline had been postponed to May 15 for these areas.

The IRS is offering relief to any area designated by the Federal Emergency Management Agency (FEMA) in these three states. There are four different eligible FEMA declarations, and the start dates and other details vary for each of these disasters. The current list of eligible localities and other details for each disaster are always available on the Tax Relief in Disaster Situations page on IRS.gov.

## When Will the 25% Rate for a Missed RMD be Reduced to 10%?

The concept of the change made by SECURE 2.0 is - if a taxpayer admits by filing a 2023 correct tax return (Form 5329) indicating that he or she had a missed RMD, and he or she has withdrawn it, then the tax rate will be 10% and not 25%.

This is a very beneficial law change. The tax rate has been decreased from 50% to 10% (and not 25%) for certain taxpayers. A tax is very harsh when the rate is 50%. It is still harsh at a rate of 25%. The law has been written to induce a taxpayer who has a missed RMD to self-report the tax error. For example, a person fails to take the 2023 RMD of \$2,400. Under the law the person owes an excise tax of 25% or \$600 unless she or he qualifies to pay only 10% (\$240).

In reality, the U.S. Treasury/ IRS may or may not ever get paid this \$600. Apparently, many taxpayers don't inform the IRS they have a missed RMD.

Under existing tax laws the IRS in most cases has no way of easily determining what the exact RMD is for a person age 73 or over or who is a beneficiary and whether or that person has a missed RMD.

So, a person who informs the IRS that he or she has a missed RMD of \$2,400 by properly reporting the missed RMD on Form 5329, paying the 10% tax of \$240, then does not owe the penalty amount of \$600. The person must do this before the IRS determines that a person has a missed RMD.

If a person has a missed RMD and the IRS discovers it before it is voluntarily corrected, the \$600 will be owed along with any applicable interest and other penalties.

The approach of the new law is - we hope the U.S. Treasury/IRS will collect more tax dollars if taxpayers are given a monetary inducement to self-report their missed RMDs.

## The New SEP Roth and SIMPLE Roth IRA accounts – When Will CWF Have Available?

The SECURE Act 2.0 was enacted with the thought being - many individuals will choose to pay taxes immediately in order that future earnings in a “Roth” account will be tax-free. In the short term the US Treasury will have increased tax revenues.

The following example illustrates the purpose of the new law. Serena is a highly valued employee. Her wage income is \$80,000. Serena’s employer is going to make a contribution of \$12,000 (15% of compensation) into her SEP-IRA. The new law grants her the right to elect to have this \$12,000 be either a regular SEP-IRA contribution or it may be a Roth SEP-IRA contribution. If she elects to have it be a regular SEP-IRA contribution the \$12,000 is not included in her income for income tax and FICA tax purposes. If she elects to have it be Roth SEP-IRA contribution the \$12,000 will be included in her income for income tax and presumably FICA tax purposes.

Serena is assumed to be in the 25% marginal tax bracket. Serena makes the decision - she will include the \$12,000 in her current income and pay additional income taxes of \$3,000 in order that the future earnings on the \$12,000 will be tax-free as long as certain requirements are met. This \$3,000 is tax revenue the US Treasury otherwise would not have had. There would also be FICA taxes paid.

Set forth below is CWF’s email response regarding the forms and services we will have available with respect to these new accounts - Roth SEP-IRAs and Roth SIMPLE-IRAs. Offering these new accounts will create some new opportunities.

### CWF’s Email Response

We are going to try to have an initial version of these forms available in late March.

We will create “amendments” for the IRS model forms authorizing the contribution may either be a Roth SEP or Roth SIMPLE contribution or an ordinary SEP or SIMPLE contribution.

We will be revising our contribution forms. The IRS needs to furnish guidance on this topic. Sooner the better.

At the time the contribution is made we assume the person must furnish an irrevocable(?) instruction whether it is Roth SEP or Roth SIMPLE or an ordinary contribution.

These new rules affect employers also. If an employee elects to have her \$15,000 contribution be a SEP Roth, the \$15,000 will be need to be included in her income for 2023, presumably subject to FICA/SE and income taxes.

I expect these new Roth accounts will require the IRS to revise the Form 5498: 2023? 2024? Two boxes for SEPs and two boxes for SIMPLEs?

An IRA custodian must be able to identify a SEP or SIMPLE account as a Roth account. This may need to be done manually until the software changes are made. The earnings of a “Roth” account will not be taxable if the tax-free rules are met.

## Warning – CORE Vendor’s Software Fails to Handle Non-Deductible IRA Contributions Correctly

A representative of an IRA custodian/trustee called CWF with the following situation. The representative had discussions with the CORE vendor about preparing the 2022 Form 5498 for an IRA client who had made a non-deductible contribution. The representative of the CORE vendor had informed this caller that when an IRA custodian accepted a non-deductible contribution and coded it as such, then its software treated this non-deductible contribution the same as a transfer contribution. It would not be reported on the 2022 Form 5498. The rationale of the representative was - since such funds were not deductible and would not be taxed when distributed, there was no need or IRS requirement to report such a contribution. This is totally wrong. Such a contribution must be reported by the IRA custodian/trustee in box 1 of the Form 5498 or the IRS may fine the bank for an incorrect Form 5498.

Warning,  
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**CWF Comment.** An IRA custodian is to report in box 1 all non-transfer contributions except those to be reported in another box. The IRA custodian does not inform the individual or the IRS about the deductibility or non-deductibility of any contribution. The individual must complete Form 8606 to report any non-deductible contribution.

## Seek More IRA Contributions

In this changing deposit market, an IRA custodian wants to see its IRA deposits grow. Here are some suggestions.

1. Seek SEP-IRA contributions. A person can establish and fund a SEP-IRA up through his or her tax filing deadline of April 18, 2023 plus tax extensions. The maximum contribution amount is \$61,000 for 2022 and \$66,000 for 2023.

2. Seek more rollover contributions. The investment market has some uncertainty.

3. Seek more Roth IRA contributions. As long as a person still has compensation (and not too much), a person can make a Roth IRA contribution. There is no RMD age limit. There is no negative consequence to participating in a 401(k) plan. A person can contribute to both a 401(k) plan or a SEP-IRA and a Roth IRA. Higher interest rates may be very attractive to Roth IRA depositors.

4. Seek more periodic contributions. In this day and age of web banking an IRA custodian should make it easy for a person to establish an automatic transfer from his or her checking account into either a traditional IRA or a Roth IRA. It should also be easy to stop this transfer, either temporarily or permanently. Inform the person that any contribution is made for the tax year in which the IRA custodian receives it.

5. Seek more traditional IRA contributions from high income clients. Now that any person with money in a traditional IRA is eligible to make a conversion contribution to a Roth IRA, more individuals will make non-deductible IRA contribution, if it is explained to them why they should make such contributions. Making a non-deductible contribution and then converting it (assumes no other funds within a traditional IRA) has the same effect as making a Roth IRA contribution.

Income limits still make individuals ineligible to make a direct Roth IRA contribution.

## Updated IRA Forms and Software Needed for 2023

A financial institution wants to use updated IRA forms for at least two reasons. First, you want to provide excellent service to your IRA clients. Secondly, you want to reduce possible liability claims because your old forms mislead your IRA client or IRA beneficiary. The SECURE Act and the CARES Act made major changes in various IRA laws. The RMD age was changed to age 73 from age 72. Beneficiaries of IRA owners dying in 2020 or subsequent years have changed radically for most beneficiaries. Existing beneficiaries should be informed that upon their death their beneficiary in general will be required to close the inherited IRA under the 10-year rule.

An IRA custodian/trustee should be using updated IRA plan agreements and revised administrative forms. CWF has revised the following forms:

1. IRA Plan Agreements
2. IRA Amendments
3. IRA contribution forms
4. New forms for Roth SEP-IRA and Roth SIMPLE-IRA for the employer and the employee.
5. IRA distribution forms - new discussion regarding the two new exceptions to the 10% addition tax for a disaster distribution or a distribution after a birth or an adoption.
6. Election or instruction form for a beneficiary who is not an EDB. This is CWF form 206 or 206-R.
7. Election or instruction form for a beneficiary who is an EDB. This is CWF form 204 or 204-R.
8. Rollover Certification forms (IRA to person to IRA). Form 65-A.
9. Rollover or Direct Rollover Certification form (401(k) to IRA). Form 65-B.
10. Transferring an Inherited IRA. Form 56-I or 56-RI.
11. RMD Notices for 2023



## Revised RMD Rules for IRA Beneficiaries

When an IRA accountholder dies, the IRA beneficiary is required to close the inherited IRA by an applicable deadline. The law was changed in December of 2019 to no longer allow many beneficiaries to stretch out distributions over their life expectancy. This time period previously could be 30, 40, 50, 60 or more years depending upon the age of the beneficiary. Funds in an inherited IRA continue to be tax deferred funds until withdrawn. In order to realize tax income for the U.S. Treasury sooner, the law has been changed to require many, but not all, beneficiaries to withdraw the funds over a 10 year period and close the inherited IRA by the end of the 10th year.

IRA beneficiaries should be informed of the new rules. A beneficiary who fails to comply with the new beneficiary RMD rules owes a special 25% tax. The tax used to be 50%, but for 2023 and subsequent years it is 25% or 10%. A beneficiary should consult with her or his adviser.

In general there are now three classifications of IRA beneficiaries. The rules differ for each classification.

### Classification #1. IRA Accountholder died before Jan. 2020

The pre-2020 laws continue to apply to these beneficiaries. If a beneficiary is using the life distribution rule to determine their RMD, it will continue to apply to the beneficiary. A beneficiary is allowed to withdraw a distribution exceeding their RMD. The new rule is, if this IRA beneficiary dies during this period, then his or her subsequent beneficiary is not permitted to continue this schedule, but must close the inherited IRA under the 10-year rule.

### Classification #2. Beneficiary is an EDB

Certain beneficiaries are not required to use the 10-year rule even though the IRA owner dies in 2020 or a subsequent year. These beneficiaries are Eligible Designated Beneficiaries (EDBs). These beneficiaries, in general, are still subject to the pre-2020 rules. That is, when applicable, the life distribution rule may still apply.

To be an EDB the beneficiary must be one of the following:

1. A beneficiary who is not more than 10 years younger than the IRA owner;
2. A beneficiary who is disabled;
3. A beneficiary who is chronically ill;
4. A child; or
5. Certain trusts.

The life distribution rule may be used to calculate the RMD for an EDB, if applicable. A beneficiary is allowed to withdraw a distribution exceeding their RMD. However, if this IRA beneficiary dies during this life distribution period, then his or her subsequent beneficiary is required to continue this schedule, but must also close the inherited IRA under the 10-year rule.

### Classification #3. Beneficiary is not an EDB

Most IRA beneficiaries of IRA owners dying on or after January, 2020, must close the inherited IRA by using the 10-year rule. These beneficiaries are called non Eligible Designated Beneficiaries. This shorter withdrawal period will mean for traditional IRA, SEP-IRA and SIMPLE-IRA beneficiaries that they will be required to include in their incomes larger distributions sooner than previously was required. Under the 10-year rule, the inherited IRA must be closed by the December 31 of the year containing the 10th anniversary of the IRA owner's death. Such withdrawals may either be periodic or nonperiodic. If this IRA beneficiary dies during this 10-year period, then any subsequent beneficiary will also be subject to this same 10-year period. However, if the beneficiary is not a person, such as a charity, an estate or a certain trust, then the 5-year rule applies.

There are actually two 10-year rules depending upon whether the IRA accountholder died on or after January 1, 2020 and whether she or he died before her or his required beginning date or on or after the required beginning date.

The standard 10-year rule applies is when the IRA accountholder dies before his or her required beginning date. A beneficiary is not required to take scheduled distributions or even take a distribution for any year of the 10-year period with one exception. A beneficiary

**Revised RMDs,  
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must withdraw all of the inherited funds by the deadline of December 31. Beneficiary withdrawals may either be periodic or any amount taken when they wish. For income tax reasons the beneficiary may wish to withdraw an amount each year, for example, 10% each year.

A second special 10-year rule when the IRA accountholder dies on or after his or her required beginning date. If the IRA accountholder died after December 31, 2019 and after his or her required beginning date, a non-Eligible Designated Beneficiary is not permitted to continue withdrawing an RMD each year for the rest of his or her life. Commencing the year after the year the IRA accountholder dies the beneficiary for years 1-9 may withdraw only the RMD amount, but in year 10 the inherited IRA must be closed. Therefore, the beneficiary may wish to withdraw a larger amount each year, for example 10% each year.

This supplement does not discuss the rules applying to a beneficiary which is not a person such as an estate, trust or charity.

## **Email Guidance – Inherited IRAs**

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Q-1. Death in December. If an IRA customer passed away on the 29th of December and we don't find out about it until the 4th, does the beneficiary have to take the deceased IRA holders RMD? Is there anything else special we need to do since this happened in 2 different years?

A-1. The IRS is aware of situations similar to the one you describe.

The bank's role is that of being the IRA custodian.

The IRA accountholder and any beneficiary have different roles and duties.

The bank will prepare a final 5498 form for the deceased IRA accountholder.

The bank will also prepare a 2022 Form 5498 for each beneficiary since each had a portion of the inherited IRA balance as of December 31. This is true even if the bank did not know about his passing until 2023.

Technically the 50% tax is owed if the RMD for 2022 had not been taken.

In its proposed RMD regulation the IRA has proposed the deadline for taking the 2022 RMD be revised from being 12/31 to 4/15 of the following year.

The individuals have the duty of explaining on their tax returns.

The bank prepares the Form 1099-R for the year a distribution occurs.

Q-2. I have a client Mary, her Dad Jose passed away who had an IRA at another bank that had his deceased wife listed as beneficiary. The bank moved the IRA to his estate. Mary is asking if those funds can be distributed to Jose's kids as inherited IRAs?

A-2. Did the other IRA custodian distribute the funds to the estate or was an inherited IRA set up for the estate?

Under the old laws (pre-SECURE Act) the estate as a non-spouse had no rollover rights and there was no way to correct for this type of error.

The SECURE Act 2.0 requires the IRS to allow certain corrections to be made. The IRS will need to furnish additional guidance. Congress had heard from beneficiaries that there were times the inherited IRA distribution was distributed even though the beneficiary had not requested it. The distribution could not be rolled over.

I believe now because of the SECURE Act it could be rolled over. A beneficiary in this situation can use the late rollover certification form to make such a rollover. The beneficiary after talking with their tax advisor will need to certify they are eligible to make such a rollover and assume responsibility if the IRS would disagree.

If there was a un-requested distribution to the estate, then it is the mistake of the first IRA custodian.

I am not exactly sure what you are asking.

Will there be a lump sum distribution to each kid or will an inherited IRA be set up for each kid?

I believe the bank can issue a check to each child if the estate's attorney will furnish an opinion letter that there will be either no estate or the estate has the right to pass through to the children the right to revise future distributions.

Email Guidance,  
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Q-3. I wanted to run a scenario past you on a deceased IRA account holder. My situation is this. Husband died in November 2022 and was 71 years of age. His wife is the single beneficiary and was 72 in 2022 and in her own RMD with her IRA. I know of course she can treat his IRA as her own since she was the spouse and sole beneficiary. Besides treating it as her own, exactly what are her other options? I know a non-spouse can use the 10-year payout rule, but was unsure with a spouse... IF for some reason she doesn't choose to treat as her own.

A-3. If the IRA accountholder dies before his or her required beginning date, the surviving spouse has 3 options:

1. Elect as own;
2. Special life distribution rule;
3. 10-year rule

If the IRA accountholder dies on or after his or her required beginning date, the surviving spouse has only 2 options:

1. Elect as own;
2. Special life distribution rule;

The 10-year rule is no longer an option.

Why might a spouse choose the 10-year rule? It allows the person to defer taking any distributions and defers paying taxes. Example, Mark and Sara are married Mark is 71 and Sara is 74 in 2023. Mark dies in 2023 before his required beginning date. Sara is subject to the RMD rules. Sara may elect the 10-year rule and if she does she is not required to take a distribution until that 10th year (2033).

## Email Guidance – HSAs

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Q-1. I have a customer that works for the school. He is not a teacher. He will be retiring at some point in 2023. He has an HSA account with us through the school. He is not 65 so he will not be getting Medicare. If he gets another high deductible insurance plan (which is the plan) and wants to continue with an HSA can he use the existing account or will he have to open a new one?

Another question, if a customer we have that has an HSA with us through the school leaves one of the local schools and goes to another local school do they have to open a new account or can they continue to use the same one?

A-1. In both cases the person is able to continue to use the same HSA.

Q-2. We have a problem with a deceased owner. The beneficiary is a trust, no surviving spouse. We found out about the death but didnt act on it in 2022.

We are now being asked to distribute the funds in 2023. We are confused by the IRS guidelines because it doesn't show our scenario where we found out last year and pay out this year.

A-2. HSAs have a very different IRS reporting approach from IRAs when the HSA owner dies.

The HSA ceases to exist upon the HSA owner's death.

The HSA balance as of the date of death is taxable income to the beneficiary in the year of death. If the trust uses or used any of the HSA funds to pay the final medical expenses of the decedent that amount would not be taxable. The trust must explain on its tax return.

So, if the HSA owner died in 2022 the trust must report this income on its 2022 tax return. This is so even though the trust will not be furnished a Form 1099-SA until you prepare the 2023 forms.

The bank may be nice and tell the trust it has income for 2022. It is probably not the case, but a beneficiary is supposed to know there is income in the year an HSA owner dies even if the beneficiary withdraws it in the following year.

There is to be a final 2022 Form 5498-SA for the deceased HSA owner.

The 2023 Form 1099-SA prepared for the trust must be completed. There is a box 4 where you report the value as of the date of death. In box 1 you will report the total value distributed. The difference in the amount between these two boxes is the income earned after the HSA owner died. This is income for 2023.

**HSA's**  
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Q-3. We have a question regarding a customer who over contributed to his HSA for tax year 2022. Our question is can he withdraw the excess now that it is 2023? If so, what paperwork would be needed and how would that be reported on the 1099SA and 5498SA?

A-3. Yes, the excess contribution may be withdrawn in 2023. It is best if this occurs by 4/15/2023.

The HSA rule does have some differences versus the IRA rule.

The individual must withdraw the excess plus or minus any related income/loss.

When was the excess contribution made? What day and month?

The income, if any, will be included in his income for 2023.

Does the bank have a monthly service fee? If yes, such a fee is considered negative income. He could withdraw less than the excess amount he contributed.

2022 Form 5498 - The bank is to report all contributions as made. He will need to explain on his tax return.

2023 Form 1099-SA.

Box 1 is to be completed with the gross amount returned to him.

Box 2 is to be completed with the amount of the earnings related to the excess. This should be 0.00 if there were no earnings.

Box 3 is to be completed with code 2 for an excess withdrawal.

Q-4. I'm not sure if I ever responded to this, but, thank you for your input! The person finally came in and took out the excess contribution and I am updating their 1099SA and had a follow up question.

They have already received a 1099SA with distributions of \$15,061.72 showing, and distribution code of 1. The excess that he had to withdraw was \$1,200 and then interest earned of \$0.65.

So on the updated 1099SA, I need to change the total in box 1 to \$16,262.37, box 2 to \$0.65, and then box 3 distribution code to 2? Once I get this form to him, he should be all set? I also want to be sure I report the correct thing to the IRS... would we only report the new 1099sa with the number 2 distribution code to the IRS?

I would delete the old one with the number 1 distribution code?

A-4. The HSA custodian must prepare a separate form 1099-SA for each type of distribution code. You have two distribution codes.

You must prepare one Form 1099-SA for the "regular" HSA contributions the person had. Code "1" is to be used. Originally this was \$15,061.72. This amount will be corrected (reduced) to be \$13,861.07 (\$15061.72 - \$1,200.65). Thus form is to be marked "corrected".

You will prepare a second Form 1099-SA with the reason Code "2". Box 1 will be completed with 1,200.65) and box 2 will be completed with .65. This form is not marked corrected as it is being prepared the first time.

Please call or email me if you have further questions.

## **Jan. 1, 2024 Arrives in 12 Months – Deadline for New E-File Rules**

The IRS issued news release IR-2023-31 on February 21, 2023.

The IRS and Treasury announce the adoption and issuance of its final regulations applying to e-filing requirements for many businesses, including IRA custodians and trustees.

These regulations will require almost all business filings made in 2024 with the IRS be made using an e-file process. The regulation is approximately 70 pages. These regulations reflect changes made by the Taxpayer First Act (TFA) requiring an increase in e-filing. The TFA sets forth the requirement that when 100 copies of a specific form is to be filed it must be filed electronically. However, the IRS took it upon itself to reduce this limit to 10 forms and to change the rule that many forms will be aggregated to determine if the 10 form limit applies. This is a substantial change. The limit of 10 will also apply to the filing of corrected returns.

There will certainly be court challenges to the IRS action, but your institution as an IRA custodian/trustee needs to be aware of this new regulation. The court challenges, of course, will take time. The IRS supposedly will issue hardship waivers to those who qualify.