



THE Pension Digest

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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		IRA Contribution Information
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	Copy A For Internal Revenue Service Center 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"/>	
City or town, state or province, country, and ZIP or foreign postal code		12a RMD date	12b RMD amount	
		\$	\$	
		13a Postponed/late contrib.	13b Year	13c Code
		\$		
Account number (see instructions)		14a Repayments	14b Code	
		\$		
		15a FMV of certain specified assets	15b Code(s)	
		\$		

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 Code	15a FMV of certain specified assets	15b Code(s)	
	\$		

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.