



THE Pension Digest

October 2023
Published Since 1984

ALSO IN THIS ISSUE –

IRA Contribution Deductibility
Charts for 2023 and 2024, *Page 2*

Roth IRA Contribution Charts for
2023 and 2024, *Page 3*

SEP and SIMPLE Limits and Saver's
Credit Limits for 2023 and 2024,
Page 3

Email Guidance – SIMPLE-IRAs
New Roth Contributions, *Page 4*

Email Guidance – SIMPLE-IRAs,
Page 4

Email Guidance – SEP-IRAs, *Page 5*

Email Guidance – HSA General
Rule Can't Combine Two HSAs,
Page 5

Email Guidance – HSA
Contribution, *Page 6*

IRS Tax Tip 2023-116, Sept. 28,
2023, *Page 7*

Maximum HSA Contribution
Limits for 2023 and 2024, *Page 8*

Email Guidance – Must an
Inherited be Established, *Page 8*

IRS Correction Program for IRAs,
Page 9

Reminder RMD Notices for 2023
and the RMD Notices to be
Prepared for 2024, *Page 10*

Email Guidance – Direct Rollover v.
Rollover, *Page 11*

Email Guidance – Beneficiary
Generally Should Make a QCD
From the Inherited IRA, *Page 11*

Retirement Plans FAQs Relating to
Waivers of the 60-Day Rollover
Requirement, *Page 12*

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



© 2023 Collin W. Fritz and Associates, Ltd.
Copyright is not claimed in any material
secured from official U.S. Government
sources. Published by Collin W. Fritz and
Associates, Ltd. Subscription: \$95 per year.

IRA Contribution Limit to Again Increase by \$500 – Second Year in a Row

On November 1, 2023, the IRS announced the 2024 IRA and pension limits. These are set forth in Notice 2023-75. The inflation rate for the year ending September 30, 2023 was 3.2%. This rate is substantially lower than last year's rate of 7.9%, but it is still high compared to many previous years.

The IRA contribution limit (traditional and Roth) for 2024 increases to \$7,000. So, the maximum contribution limit will be \$7,000 for an individual under age 50 and \$8,000 for an individual age 50 or older.

The income limits applying to making a deductible contribution also increased as did the Roth IRA eligibility limits. More individuals who are active participants will be eligible to claim a tax deduction for their traditional IRA contribution and more individuals will be eligible to make a Roth IRA contribution.

The limits for SEP-IRAs, and SIMPLE-IRAs

plans also increased. The maximum SEP-IRA contribution limit will be \$69,000 up from \$66,000. The deferral limits for SIMPLE-IRAs will be \$16,000 (under age 50) and \$19,500 (age 50 or older).

IRA Contribution limits for a person who is not age 50 or older.

Tax Year	Amount
2008-12	\$5,000
2013-18	\$5,500
2019-22	\$6,000
2023	\$6,500
2024	\$7,000

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

Tax Year	Amount
2008-12	\$6,000
2013-18	\$6,500
2019-22	\$7,000
2023	\$7,500
2024	\$8,000

IRS Issues 2024 IRA/Pension Limits

IRS Announces Cost-of-Living Adjustments for 2024

The IRS in Notice 2023-75 Released its 2024 Adjustments as follows:

	2022	2023	2024
Taxable Wage Base — OASDI Only	\$147,000	\$160,200	\$167,700
SEP and Qualified Plan			
Maximum Compensation Cap – 401(a)(17), 408(k), 404(e)	\$305,000	\$330,000	\$345,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	\$20,500	\$22,500	\$23,000
Elective Deferral Catch-up Limit for 401(k)	\$6,500	\$7,500	\$7,500
SIMPLE Deferral Limit – 408(p)(2)(A)	\$14,000	\$15,500	\$16,000
SIMPLE Catch-up Limit	\$3,000	\$3,500	\$3,500
Highly-Compensated Employees (Compensation as Indexed)	\$135,000	\$150,000	\$155,000
Defined Benefit Limit – Section 415(b)(1)(A)	\$245,000	\$265,000	\$275,000
Defined Contribution Limit – Section 415(c)(1)(A)	\$61,000	\$66,000	\$69,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	\$650	\$750	\$750
Key Employee Top Heavy — 41(i)(ii)(a)(i)	\$200,000	\$215,000	\$220,000
Qualified Charitable Distribution Limit	\$100,000	\$100,000	\$105,000
One-time QCD to Split Interest Entity Limit	N/A	\$50,000	\$53,000

IRA Contribution Deductibility Chart for 2023

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

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

Single or Head of Household

Below \$73,000 or less	Entitled to full deduction
\$73,001-\$82,999.99	Entitled to prorated deduction amount - use special formula**
\$83,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$73,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below \$116,000 or less	Entitled to full deduction
\$116,001 - \$135,999.99	Entitled to prorated deduction amount - use special formula**
\$136,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$116,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married -

joint return, but only you are covered or qualifying widower

Below \$116,000 or less	Fully Deductible
\$116,001-\$135,999.99	Entitled to prorated deduction amount - use special formula**
\$136,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$116,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below \$218,000 or less	Fully Deductible
\$218,001-\$227,999.99	Entitled to prorated deduction amount - use special formula**
\$228,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$218,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.* A special rule provides that a married individual is not considered Married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

IRA Contribution Deductibility Chart for 2024 (Estimated)

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

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

Single or Head of Household

Below \$77,000 or less	Entitled to full deduction
\$77,001-\$86,999.99	Entitled to prorated deduction amount - use special formula**
\$87,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$77,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below \$123,000 or less	Entitled to full deduction
\$123,001 - \$142,999.99	Entitled to prorated deduction amount - use special formula**
\$143,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$123,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married -

joint return, but only you are covered or qualifying widower

Below \$123,000 or less	Fully Deductible
\$123,001-\$142,999.99	Entitled to prorated deduction amount - use special formula**
\$143,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$123,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below \$230,000 or less	Fully Deductible
\$230,001-\$239,999.99	Entitled to prorated deduction amount - use special formula**
\$240,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$230,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.* A special rule provides that a married individual is not considered Married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

Roth IRA Contribution Chart for 2023

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below \$138,000	Entitled to full contribution amount
\$138,000-\$152,999.99	Entitled to prorated contribution amount - use special formula*
\$153,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$138,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Jointly

Below \$218,000	Entitled to full contribution amount.
\$218,000-\$227,999.99	Entitled to prorated contribution amount - use special formula*
\$228,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$218,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00. If your filing status is Married Filing Separately, you are eligible to make a Roth IRA contribution as if your filing status was Single, as long as you did not live with your spouse at any time during the year.

Roth IRA Contribution Chart for 2024

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below \$146,000	Entitled to full contribution amount
\$146,000-\$160,999.99	Entitled to prorated contribution amount - use special formula*
\$161,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$146,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Jointly

Below \$230,000	Entitled to full contribution amount.
\$230,000-\$239,999.99	Entitled to prorated contribution amount - use special formula*
\$240,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$230,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00. If your filing status is Married Filing Separately, you are eligible to make a Roth IRA contribution as if your filing status was Single, as long as you did not live with your spouse at any time during the year.

SEP and SIMPLE Limits

	2021	2022	2023	2024
Maximum SEP Contribution	\$58,000	\$61,000	\$66,000	\$69,000
Maximum SIMPLE Deferral (Under age 50)	\$13,500	\$14,000	\$15,500	\$16,000
Maximum SIMPLE Deferral (Age 50 & older)	\$16,500	\$17,000	\$19,000	\$19,500

Saver's Credit Limits for 2023

The applicable percentage for 2023 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
\$0	\$43,500	50%
\$43,500	\$47,500	20%
\$47,500	\$73,000	10%
\$73,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
\$0	\$32,625	50%
\$32,625	\$35,625	20%
\$35,625	\$54,750	10%
\$54,750	N/A	0%

Other Filers Single, Qualifying Widow(er) & Married, Filing Separately

AGI Over	AGI Not Over	Percentage
\$0	\$21,750	50%
\$21,750	\$23,750	20%
\$23,750	\$36,500	10%
\$36,500	N/A	0%

Saver's Credit Limits for 2024

The applicable percentage for 2024 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
\$0	\$46,000	50%
\$46,000	\$50,000	20%
\$50,000	\$76,500	10%
\$76,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
\$0	\$34,500	50%
\$34,500	\$37,500	20%
\$37,500	\$57,375	10%
\$57,375	N/A	0%

Other Filers Single, Qualifying Widow(er) & Married, Filing Separately

AGI Over	AGI Not Over	Percentage
\$0	\$23,000	50%
\$23,000	\$25,000	20%
\$25,000	\$38,250	10%
\$38,250	N/A	0%

Email Guidance – SIMPLE-IRAs New Roth Contributions

Q-1. I am beginning to prepare the SPDs for our SIMPLE-IRA plans. I noticed there is not an updated Salary Reduction form for 2024. I was wondering if that form, as well as the SPD document, will be updated to include the ROTH component brought about by Secure Act 2.0. Do you know if employers are required to offer a ROTH contribution option, or if it is optional?

A-1. I have not seen any guidance from the IRS regarding the law change giving a participant the right to designate that their SEP or SIMPLE-IRA contribution is to be treated as a Roth account.

I understand this law is in effect in 2023. However, in order for a participant to have this right the plan document must be amended to provide such right. The IRS has not yet revised Form 5305-SEP or any of the applicable SIMPLE-IRA forms, Form 5305-S, Form 5305-SA, 5304-SIMPLE and Form 5305-SIMPLE.

We have written amendments for both a SEP-IRA plan and a SIMPLE-IRA plan authorizing the making of such contributions. An employer may adopt such an amendment and use it until the IRS revises its model forms.

I initially read the SECURE Act 2.0 as providing that a participant must be given this election right to have their contribution be a Roth contribution. If the intent of the law change was to increase revenue for the US treasury, then the IRS may conclude that any participant of a SEP or SIMPLE should have the right to their contribution be a Roth contribution. However, because of your question and again reading the statute I am thinking there is a good chance the IRS will adopt the position that an employer has the discretion whether to give the participants the right to make a Roth elective contribution.

But the IRS needs to furnish guidance. Section 601 is not well written. It is not clear if an employer must make available the right to make a Roth contribution election. It is clear that a plan cannot be written to require a participant to have his or her contribution be a Roth IRA contribution. The participant has the right to have their contribution be a non-Roth contribution. Section 601(b)(3) provides with respect to the Roth contribution

election that the employee's election is to be made "at such time and in such manner as the Secretary may provide." It may be the IRS position is - until we give guidance no such contributions may be made. The IRS has not yet issued guidance.

Email Guidance – SIMPLE-IRAs

Q-2. I have a few questions regarding a SIMPLE-IRA.

We have a customer that is currently age 73 and is retired, collecting social security, and receiving benefits from his PERA retirement fund. He has a part-time job. This employer has now indicated that he can participate in their newly established SIMPLE-IRA plan.

Is he eligible to participate?

If he does participate, will this affect his \$7000.00 IRA contribution for tax year 2023?

If he does participate, will he be required to receive a RMD this year as he is age 73?

A-2. The customer is eligible to participate in his employer's SIMPLE-IRA plan. There is no problem because he is age 73. He may defer a "large" portion of his wages into his SIMPLE-IRA if he so elects. The maximum SIMPLE-IRA deferral amount for a person over 50 is \$19,000 for 2023. There is no 25% of compensation limit for SIMPLE-IRAs.

His maximum traditional IRA contribution for 2023 is \$7500.

He is able to make both a traditional IRA contribution and a SIMPLE-IRA contribution. He can not use the same compensation to make both types of contributions.

If he would have compensation of \$26,500 or more he could put \$19,000 into his SIMPLE-IRA and \$7500 into his traditional IRA.

For discussion purposes I will assume he has compensation of \$20,000. He would be able to put \$7,500 into his traditional IRA and \$12,500 into the SIMPLE-IRA. Or, I will assume he has compensation of \$10,000. He would be able to put \$2,500 into his traditional IRA and \$7,500 into the SIMPLE-IRA.

The employer will either be making a matching con-

SIMPLE-IRAs,
Continued from page 4

tribution (normally 3% of compensation if he has deferred that amount) or a nonelective contribution of 2% of compensation.

He probably wants to make his contribution to the SIMPLE-IRA before he makes it to his traditional in order to gain the employer's match.

Since these contributions are made after 12/31/2022 they will not affect any RMD calculation for 2023 which is based on the 12/31/2022 FMV. No adjustment is made for these 2023 contributions.

Email Guidance – SEP-IRAs

Q-1. I have a customer who has a SEP-IRA with us through his employer. They are asking if some of the funds from the SEP can be moved to a Self-Directed IRA.

A-1. A SEP-IRA accountholder has the right to transfer or rollover some or all of her or his SEP-IRA funds to another IRA custodian/trustee. These funds could go into a self-directed IRA.

The standard transfer and rollover procedures would apply.

Q-1A. Then can the employer contribute to the self directed IRA or does it have to go into the regular SEP and be transferred to the self directed?

A-1A. A person may contribute directly into a custodial self-directed IRA.

CWF Form 40-T limits investments to the savings and deposits of the bank.

CWF Form 42-T is our custodial self-directed IRA form. It permits self-directing into other types of assets.

The customer may but is not required to put all his IRA funds or SEP-IRA funds into a self-directed IRA.

An IRA accountholder may make the following types of contributions to both of these types of IRAs: annual traditional IRA contributions, rollover of annual contributions, transfer of annual contributions, SEP-IRA contributions, rollover of SEP-IRA contributions or transfer of SEP-IRA contributions.

I believe it would be easiest if this customer only had one type of IRA form, Form 42-T.

Email Guidance – HSA General Rule Can't Combine Two HSAs

Q-1. Good afternoon James, we have a client question. Below is the scenario.

Husband has HSA with us, wife had HSA at another institution. They both were contributing to their individual HSAs. Wife is now not working and no longer under a HDHP so she will not be contributing any longer. We had her transfer from her current HSA administrator to us. We opened a new HSA and deposited the funds. Both of them are authorized signers on each HSA. The husband does not want to have two accounts so he wants the funds to go to his HSA and close hers.

My understanding is we are not able to do it. Their reason is they don't want to have to keep track of two accounts. Since her HSA has \$7,211.00 it would be a taxable event. Here is what I think:

- We advised them to ask their tax provider.
- Use her current HSA dollars (\$7,211.00) until it is gone for any medical expenses they might incur
- He can continue to contribute to his HSA and allow it to grow until they have to begin using his.

A-1. Your understanding is correct and your written summary is excellent.

I realize they want only one account for simplicity but present laws do not allow it.

Unless there is a divorce or one spouse dies, the law does not authorize moving funds from one spouse's HSA to the other spouse's HSA.

As you indicate she (they) can spend down her HSA to 0.00 by paying qualified medical expenses for both of them.

Withdrawing the funds and not using them to pay qualified medical expenses would mean the \$7211.00 would be included in income and subject to the 20% tax.

Continued on page 6

Can't Combine Two HSAs,
Continued from page 5

Q-2. I have an HSA scenario. We have a client Roger who has an HSA with us. It's a family plan and his wife Jenni is an authorized signer. In 2022 he carried the insurance and Jenni was covered by it. Starting in January 2023 the insurance switched to Jenni. Still family coverage and Roger was covered by her insurance. Jenni's employer has been making contributions to Rogers's HSA. They thought it was a joint account. So my question is do we need to do a contribution reversal for the HSA contributions made to Roger's HSA and have Jenni open her own HSA with Roger as an authorized signer and make the contributions to her HSA. OR is it ok to make the contributions to Roger's HSA since they are married and have a family plan that he is covered under. So far in 2023 that have contributed \$2900.00. Let me know if you need any more information.

A-2. Your explanation is very good.

The contributions made by Jenni's employer must go into her HSA.

Under current law there is no such thing as a family HSA or a joint HSA although some HSA software gives that impression. Fairly often a married individual will believe that the law must permit a joint HSA. It doesn't.

You should establish an HSA for Jenni and use your reversal/transfer approach.

Q-2A. One more question on that. What about the interest earned in Roger's HSA for those funds. Can he keep the interest or does that need to be reversed. It doesn't add up to much less than \$2.00.

A-2A. It would be best to determine or estimate the interest and transfer it also, but it is not material.

Q-2B. I just want to make sure I am doing this right For Roger I will do a contribution reversal for the \$2900.00 so that it show no 2023 contributions made and for Jenni I would do a contribution deposit for the \$2900.00. It wouldn't be a transfer correct?

A-2B. I should have discussed this aspect.

For Roger it is a withdrawal of an excess contribution of \$2900. We will show no earnings.

The withdrawn \$2900 is then processed as an annual contribution of \$2900 for Jenni.

Email Guidance – HSA Contribution

Q-1. I have a person making an HSA contribution today on September 29, 2023. How much may she contribute for 2023?

A-1. An HSA account owner is allowed to consider two methods to determine how much he or she is eligible to contribute for the year.

If the pro-rate method is used, one determines as of the first day of each month - what HDHP coverage was in effect as of the first day of the month. A person is able to make a contribution for each month that he or she has HDHP coverage.

Was it single, family or none? If a person switches mid-month from single to family, one uses the single method for that month. The family method would be used for subsequent where the person has family coverage. If there was no HDHP coverage as of the first day of the month no pro-rata contribution can be made for that month.

The second method has 2 names - the full year contribution method or the last month method.

My guess is that your customer will want to use the last month rule to make his contribution. As long as he will have family coverage as of December 1, 2023 he is able to contribute the maximum family amount which is \$7750 for a person not age 55 in 2023. That is his maximum contribution amount for 2023 even though he had no coverage or single coverage for portions of 2023.

When someone uses the last month rule he wants to know he will maintain the family coverage for the next year of 2024 or there will be a substantial tax penalty.

He should review IRS Publication 969 on HSAs.

Someone needs to make the determination that the family HDHP covering him and the family meets the rules so it is HSA eligible.

IRS Tax Tip 2023-116, Sept. 28, 2023

Individual retirement accounts can be important tools in retirement planning

It is never too early to begin planning for retirement. Individual retirement accounts provide tax incentives for people to make investments that can provide financial security when they retire. These accounts can be with a bank or other financial institution, a life insurance company, mutual fund or stockbroker.

A traditional IRA is the most common type of individual retirement account. IRAs let earnings grow tax deferred. Individuals pay taxes on investment gains only when they make withdrawals. Depositors may be able to claim a deduction on their individual federal income tax return for the amount they contributed to an IRA.

What to consider before investing in a traditional IRA

- A traditional IRA is a tax-advantaged personal savings plan where contributions may be tax deductible.
- Generally, the money in a traditional IRA isn't taxed until it's withdrawn.
- There are annual limits to contributions depending on the person's age and the type of IRA.
- When planning when to withdraw money from an IRA, taxpayers should know that:
 - They may face a 10% penalty and a tax bill if they withdraw money before age 59½ unless they qualify for an exception.
 - Usually, they must start taking withdrawals from their IRA when they reach age 73 (age 72 if they turned 72 in 2022). For tax years 2019 and earlier, that age was 70½.
 - Special distribution rules apply for IRA beneficiaries.

Differences between a Roth and a traditional IRA

A Roth IRA is another tax-advantaged personal savings plan with many of the same rules as a traditional IRA, but there are exceptions:

- A taxpayer can't deduct contributions to a Roth IRA.
- Qualified distributions are tax free.
- Roth IRAs don't require withdrawals until after the death of the owner.

Other types of IRAs

- Simplified Employee Pension – A SEP IRA is set up by an employer. The employer makes contributions directly to an IRA set up for each employee.
- Savings Incentive Match Plan for Employees – A SIMPLE IRA allows the employer and employees to contribute to an IRA set up for each employee. It is suited as a start-up retirement savings plan for small employers not currently sponsoring a retirement plan.
- Payroll Deduction IRA – Employees set up a traditional or a Roth IRA with a financial institution and authorize a payroll deduction agreement with their employer.
- Rollover IRA – The IRA owner receives a payment from their retirement plan and deposits it into an IRA within 60 days.

Maximum HSA Contribution Limits for 2023 and 2024

2023	<u>Under Age 55</u>	<u>Age 55 or Over</u>
Self-Only HDHP	\$3,850	\$4,850
Family HDHP	\$7,750	\$8,750

2024	<u>Under Age 55</u>	<u>Age 55 or Over</u>
Self-Only HDHP	\$4,150	\$5,150
Family HDHP	\$8,300	\$9,300

Note. A married couple where both spouses have an HSA have a combined maximum contribution amount of \$9,750 (\$8,750 + \$1,000) for 2023 and a combined maximum contribution amount of \$10,300 (\$9,300 + \$1,000) for 2024. The law assumes the spouses will each contribute 50%, but they may split their maximum amount any way they want. The \$1,000 catchup amount is required to be contributed to that specific spouse's HSA.

Email Guidance – Must an Inherited be Established?

Q-1. We have a customer who passed away with two beneficiaries. One beneficiary chose to open their own IRA with us the other chose to receive a lump sum. The debate is should the lump sum be coded as a death distribution?

If it is coded as a death distribution wouldn't this be reported under the deceased person when it should be coded under the beneficiary?

A-1. Under the law an inherited IRA exists for a beneficiary even though a bank does not set up one or more inherited IRAs on its IT system. The bank needs to have a procedure which closes the IRA of the decedent and then properly administers and accounts for the IRA funds for the two beneficiaries.

I understand one beneficiary wants to withdraw his or she share of the decedent's IRA immediately. The distribution would come directly from the deceased IRA accountholder's IRA. This can be done, but you are correct that the bank has the duty to prepare a Form 1099-R for the beneficiary to whom you paid the funds and not to the decedent. This is the beneficiary. As you state under most IT systems the Form 1099-R would be issued to the decedent and not to the beneficiary. This would

be incorrect. Would the proper Form 1099-R be prepared manually?

The standard procedure is for an IRA custodian to set up two inherited IRA accounts when the IRA account holder has died having two designated beneficiaries. The standard beneficiary titling will be used - Jane Doe as beneficiary of Mother Doe's IRA and Mark Doe as beneficiary of Mother Doe's IRA. The CIP rules must be met by each beneficiary.

The funds in the decedent's IRA are then transferred (no Form 1099-R is prepared) into the two inherited or beneficiary IRAs. Each beneficiary then may instruct what he or she wishes to do.

You have one beneficiary who has decided to take a lump sum distribution. He or she may certainly do so. This beneficiary should still complete an IRA distribution form when he or she withdraws funds from the inherited IRA. The reason code will be "4" for death. The bank may inform the beneficiary that she or he is ineligible to rollover any distribution coming from an inherited IRA.

You have a second beneficiary who has decided to keep the inherited IRA at Savings Bank. The beneficiary will need to comply with the beneficiary RMD rules. The beneficiary should complete an IRA distribution form when he or she withdraws funds from the inherited IRA. The reason code will be "4" for death.

IRS Correction Program for IRAs

Section 305 of the SECURE Act 2.0 requires the IRS to expand its EPCRS program to allow IRA custodians to address (i.e. to correct) eligible inadvertent IRA failures.

These failures include two errors - (1) missed or late RMDs and (2) a service provider makes a distribution to a beneficiary because the beneficiary had the reasonable belief he or she could rollover a distribution from an inherited IRA without having to include it in income.

There are to be additional IRA which are to be corrected under EPCRS.

An eligible inadvertent error or failure with respect an IRA means a failure that occurs despite the existence of practices and procedures which are similar to those set forth in section 4.04 of Revenue Procedure 2021-30 or any successor guidance. However, an error or failure will never be inadvertent if it is egregious because it relates to the misuse or diversion of plan assets or is directly or indirectly related to an abusive tax avoidance transaction.

Any correction must be made in conformity with the general principles that apply to corrections of such failures under the Internal Revenue Code of 1986, including regulations and other guidance.

The IRS is required by December 29, 2024 to revise Revenue Procedure 2021-30 and issue additional guidance.

The IRS guidance is not very helpful when it references current qualified plan procedures to correct errors. The IRS will need to furnish substantial additional guidance.

Time will tell if the IRS will be reasonable and adopt an approach where "small" IRA mistakes may be corrected and the adverse tax consequences are nil or are small. Such an IRS approach is doubtful. The IRS generally takes the approach - we want to maximize tax revenues and not reduce tax revenues. Congress is misleading itself and the public if it believes the IRS will do a good job of defining what mistakes are sufficiently small so they may be corrected.

Excerpt from Section 4.04

Established practices and procedures. To be eligible for SCP, the Plan Sponsor or administrator of a plan must have established practices and procedures (formal or informal) reasonably designed to promote and facilitate overall compliance in form and operation with applicable Code requirements. For example, the plan administrator of a Qualified Plan that may be top-heavy under § 416 may include in its plan operating manual a specific annual step to determine whether the plan is topheavy and, if so, to ensure that the minimum contribution requirements of the topheavy rules are satisfied. A plan document alone does not constitute evidence of established procedures. In order for a Plan Sponsor or administrator to use SCP, these established procedures must have been in place and routinely followed, and an Operational Failure or Plan Document Failure must have occurred through an oversight or mistake in applying them. SCP also may be used in situations in which the Operational Failure or Plan Document Failure occurred because the procedures that were in place, while reasonable, were not sufficient to prevent the occurrence of the failure.

Reminder RMD Notices for 2023 and the RMD Notices to be Prepared for 2024

December 31, 2023 is not far away and January 31, 2024 is not far away. Due to law changes the RMD age has been changed from age 70½ to age 72 to age 73.

It is now October and many IRA custodians choose to furnish a reminder notice to those

IRA accountholders who have not yet withdrawn all of their 2023 RMD. This is an excellent customer service.

The law defines an individual's required beginning date as the April 1 of the year following the year the individual attains the RMD age.

The RMD formula is, the RMD for a given year is = FMV as of the preceding 12/31 divided by / the applicable divisor. The FMV is only adjusted when there is an outstanding rollover or transfer. It is not adjusted if a carry-back IRA contribution is made.

Prior to 2020 the law defined a person attaining age 70½ as being ineligible to make a contribution for that year and all subsequent years. That law was repealed in 2019. In general, any individual with compensation is now eligible to make an IRA contribution. How does this impact the calculation of an individual's RMD?

Anyone who attained age 72 in 2022 had a required beginning date of 4/1/2023. If an individual attained age 72 in 2022 and she opened her only IRA in 2022 then her required beginning date is 4/1/23. However, her 2022 RMD is 0.00 because the individual had no FMV as of 12/31/2021. This individual will have an RMD for 2023 and its deadline is 12/31/2023.

If an individual attains age 73 in 2023 and she opens her only IRA in 2023 then her required beginning date is 4/1/24. However, her 2023 RMD is 0.00 because the individual had no FMV as of 12/31/2022. This individual will have an RMD for 2024 and the deadline is 12/31/2024.

Anyone who attains age 73 in 2024 will have a required beginning date of 4/1/2025. If an individual attains age 73 in 2024 and she opens her only IRA in 2024 then her required beginning date is 4/1/25. However, her 2024 RMD is 0.00 because the individual has

no FMV as of 12/31/2023. This individual will have an RMD for 2025 and the deadline is 12/31/2025.

Set forth is an email question asking about sending RMD notices. RMD Notices should be sent only to those individuals who have an RMD for the current year.

Q-1. I have a question regarding my notices I am sending out in a few days for first time RMD customers – can you check this out and please let me know:

Customer A is 72 yrs. 3 mos. and will be 73 in June 2024

Customer B is 71 yrs. 10 mos. and will be 72 in October 2023

Customer C is 72 yrs. 5 mos. and will be 73 in April 2024

These all have or will reach 72 in 2023 so they have until April 1, 2025 to make their distribution for 2024.

A-1. RMD notices were to be sent by January 31, 2023 to those IRA accountholders required to take an RMD for 2023. There are is no "new" IRA accountholders for 2023 since those IRA accountholders who attained 72 in 2022 also attained age 73 in 2022. Their deadline to take their 2023 RMD is 12/31/2023.

RMD notices are to be sent by January 31, 2024 to those IRA accountholders required to take an RMD for 2024. That is, those attaining age 73 in 2024 or older IRA accountholders.

Your customer A attains age 73 in June of 2024. So he/she will have a 2024 RMD with his/her first deadline for 2024 being 4/1/25 and her/his second deadline for 2025 being 12/31/2025. There is no RMD for 2023.

Your customer B will be 73 in October 2024. So he/she will have a 2024 RMD with his/her first deadline for 2024 being 4/1/25 and her/his second deadline for 2025 being 12/31/2025. There is no RMD for 2023.

Your customer C will be 73 in April 2024. So he/she will have a 2024 RMD with his/her first deadline for 2024 being 4/1/25 and her/his second deadline for 2025 being 12/31/2025. There is no RMD for 2023.

Please let me know if I have not answered your question or addressed your situation.

Email Guidance – Direct Rollover v. Rollover

Q-1. I have a customer who brought in 2 checks from a former employer for 2 retirement plans. The checks are made payable to the customer and are dated 10-6-23. One check is from a ROTH IRA and the other are funds from a 401k.

I opened a ROTH and a Traditional IRA for this customer. Since it is under 60 days these will both be coded as Direct Rollovers, correct?

A-1. They will not be both be coded as a direct rollover.

The Roth IRA to person to Roth IRA is a rollover. It is subject to the once per year rule and the 60-day rule. There is no such thing a direct rollover from one IRA to another IRA. Moving funds from one IRA to another IRA must be done as a rollover or a transfer. Since the check was made payable to the person it was not a transfer.

Moving funds from a 401(k) or other employer plan is generally done as a direct rollover. In a direct rollover the check is made payable to an IRA custodian.

On the Form 5498 a direct rollover is to be reported in box 2, the rollover box. A direct rollover is not subject to the once per year rule or the 60-day rule.

Email Guidance – Beneficiary Generally Should Make a QCD From the Inherited IRA

Q-1. I have a customer who is 73 years old. He has Traditional IRAs, an Inherited IRA and a SEP-IRA, all having an RMD for 2023. Can he make a QCD from all of these accounts? Can the QCD for the Traditional IRAs and the SEP be combined to come from only one account or does the SEP need to be separate? I know the Inherited would be separate. The total is about \$10,000. \$6,000 is SEP and \$1,000 is Inherited. Can I use one CWF distribution form for a combined total QCD or three forms, one for each type IRA?

A-1. Your situation/question is very interesting and I don't believe the IRS has addressed it in writing.

QCD's have the rule where there is the annual limit of \$100,00 per person (IRA accountholder and/or IRA beneficiary).

A person must be age 70½ or older to make a QCD. A beneficiary who is age 70½ or older is eligible to make a QCD.

A QCD may be used to satisfy a person's RMD requirement(s).

Like-kind IRAs may be aggregated in applying the RMD rules. The traditional IRA and the SEP IRA may be aggregated for RMD purposes.

An inherited IRA is not like-kind with respect to the traditional IRA or the SEP IRA for RMD purposes.

Is the person able to make a QCD for \$17,000 from the inherited IRA and then his RMD with respect to all three IRAs will be considered satisfied or is he required to make a QCD of \$1,000 from the inherited IRA and then make a QCD of \$16,000 from the traditional IRA and/or the SEP IRA?

Is there a like-kind rule which applies when making a QCD?

He would make a QCD of \$1,000 from the inherited IRA and then make a QCD of \$16,000 from the traditional IRA and/or the SEP IRA.

The conservative approach is that there is.

However, I believe there is a strong argument that a person who makes a sufficient QCD from his inherited is able to satisfy his RMDs with respect to his traditional IRA and his SEP IRA.

Your customer should rely on his tax adviser.

I believe a beneficiary many times will want to make the QCD from an inherited IRA.

Retirement Plans FAQs Relating to Waivers of the 60-Day Rollover Requirement

These frequently asked questions and answers provide general information and should not be cited as legal authority. Because these answers do not apply to every situation, yours may require additional research.

There are many requirements to make a valid rollover contribution including the 60-day requirement. Assuming other requirements are satisfied, you have 60 days from the date you receive a distribution from an IRA or retirement plan to roll it over to another plan or IRA. If you don't roll over your payment, it will be taxable (other than qualified Roth distributions and any amounts already taxed) and you may also be subject to additional tax unless you're eligible for one of the exceptions to the 10% additional tax on early distributions. The IRS may waive the 60-day rollover requirement in certain situations if you missed the deadline because of circumstances beyond your control. These frequently asked questions address when the 60-day rollover requirement may be waived.

1. Can I make a late (after the expiration of the 60-day period) rollover contribution to my retirement plan or IRA?

Yes, you can make a late rollover contribution – rollover after the expiration of the 60-day period - if you:

1. Are entitled to an automatic waiver of the 60-day rollover requirement,
2. Request and receive a private letter ruling waiving the 60-day requirement,
3. Qualify for and use the self-certification procedure for a waiver of the 60-day requirement.

2. How do I obtain a waiver of the 60-day rollover requirement?

There are three ways to obtain a waiver of the 60-day rollover requirement:

- You qualify for an automatic waiver,
- You request and receive a private letter ruling granting a waiver, or

- You self-certified that you met the requirements of a waiver and the IRS determines during an audit of your income tax return that you qualify for a waiver.

3. How do I qualify for an automatic waiver?

You qualify for an automatic waiver if all of the following apply:

- The financial institution receives the funds on your behalf before the end of the 60-day rollover period.
- You followed all of the procedures set by the financial institution for depositing the funds into an IRA or other eligible retirement plan within the 60-day rollover period (including giving instructions to deposit the funds into a plan or IRA).
- The funds are not deposited into a plan or IRA within the 60-day rollover period solely because of an error on the part of the financial institution.
- The funds are deposited into a plan or IRA within 1 year from the beginning of the 60-day rollover period.
- It would have been a valid rollover if the financial institution had deposited the funds as instructed.

If you do not qualify for an automatic waiver, you can apply to the IRS for a waiver of the 60-day rollover requirement or use the self-certification procedure to make a late rollover contribution.

4. How do I apply for a waiver and what is the fee?

You can request a private letter ruling according to the procedures outlined in Revenue Procedure 2003-16 and Revenue Procedure 2023-4. The appropriate user fee of \$10,000 must accompany every request for a waiver of the 60-day rollover requirement (see the user fee chart in Revenue Procedure 2022-4, Appendix A).

5. Is there an IRS fee for using the self-certification procedure?

There is no IRS fee for using the self-certification procedure.

6. How do I self-certify that I qualify for a waiver?

You would complete the Model Letter in the appendix to Revenue Procedure 2016-47 or a substantially similar letter and present it to the financial institution receiving the late rollover contribution. You will be entitled to a waiver if ALL of the following are true:

- The rollover contribution satisfies all of the other requirements for a valid rollover (except the 60-day requirement).
- You can show that one or more of the reasons listed in the Model Letter prevented you from completing a rollover before the expiration of the 60-day period.
- The distribution came from an IRA you established or from a retirement plan you participated in.
- The IRS has not previously denied your request for a waiver.
- The rollover contribution is made to the plan or IRA as soon as practicable (usually within 30 days) after the reason or reasons for the delay no longer prevent you from making the contribution.
- The representations you make in the Model Letter are true.

7. Does the Model Letter constitute a waiver?

No, a self-certification is not a waiver by the IRS of the 60-day rollover requirement. However, if you qualify for a waiver, you can use the Model Letter to make a late rollover contribution to another plan or IRA. If the IRS subsequently audits your income tax return, it may determine that you do not qualify for a waiver, in which case you may owe additional taxes and penalties.

8. Is my bank required to accept a late rollover contribution to an IRA?

No, a particular financial institution is not required to accept a late rollover to an IRA. However, you can use the self-certification procedure and Model Letter to assure a financial institution that it can rely on the Model Letter in accepting and reporting receipt of a rollover contribution.

9. I do not satisfy the requirements for self-certification. Can I still submit a private letter ruling request for a waiver?

Yes. If you satisfy the requirements of Revenue Procedure 2003-16 and Revenue Procedure 2023-4, you may submit a private letter ruling request for a waiver. Please check for annual updates to these revenue procedures.

10. How does the IRS determine whether to grant a waiver in a private letter ruling?

In determining whether to issue a favorable letter ruling granting a waiver, the IRS will consider all of the relevant facts and circumstances, including:

- Whether errors were made by the financial institution, i.e., the plan administrator, or IRA trustee, issuer or custodian;
- Whether you were unable to complete the rollover within the 60-day period due to death, disability, hospitalization, incarceration, serious illness, restrictions imposed by a foreign country, or postal error;
- Whether you used the amount distributed; and
- How much time has passed since the date of the distribution.

Note: The IRS can waive only the 60-day rollover requirement and not the other requirements for a valid rollover contribution. For example, the IRS cannot waive the IRA one-rollover-per-year rule.

11. If my request for a waiver is denied, may I still use the self-certification procedure?

No. If the IRS has previously declined to issue a favorable letter ruling granting a waiver, you cannot use the self-certification procedure.

12. Who is eligible to request a private letter ruling for a waiver of the 60-day rollover requirement?

Anyone who has received a distribution from his or her plan or IRA, their surviving spouses or their legal representatives are eligible to request a private letter ruling for an extension of the 60-day rollover period. A non-spouse beneficiary of a deceased person's plan or IRA is not eligible to roll over a distribution received from the plan or IRA.

13. What information must I submit with my private letter ruling request for a waiver?

You can use the sample letter ruling request format in Appendix D, Revenue Procedure 2023-4. Appendix E of this Revenue Procedure contains a checklist of information that you should submit with the ruling request. You should supply the following additional information when making a request for a waiver:

1. If the distribution is made from a plan, the full name of the plan and the name of the employer that sponsors the plan;
2. If the distribution is made from an IRA, the full name of the IRA owner, the IRA account number and the name of the trustee/custodian of the IRA making the distribution;
3. If the request is being made on behalf of a surviving spouse (beneficiary) of a deceased IRA owner or plan participant, a copy of the beneficiary designation and a copy of the death certificate;
4. The amount(s) of the distribution(s);
5. The date(s) the distribution(s) was/were made;
6. The amount of federal and/or state taxes, if any, withheld from the distribution;
7. A copy of the Form 1099-R, if available;
8. A statement as to why the distribution(s) was/were made, indicating what was intended to be done with the distribution and what was actually done with the distribution (provide the name of the financial institution where the distribution was deposited, if applicable);
9. A detailed explanation as to why the 60-day rollover requirement was not met and copies of all supporting documents.
10. Evidence that you have not used the distributed funds (for example, copies of bank statements, etc.);
11. The name of the plan or IRA trustee/custodian where you intend to make the rollover if a waiver is granted;
12. If the waiver request involves an IRA-to-IRA rollover, a statement regarding whether you have made an IRA-to-IRA rollover in the past 12 months (not counting rollovers from traditional IRAs to Roth IRAs).

Note: If a waiver is granted, you have 60-days from the date the letter is issued to complete the rollover.

14. How does the IRS process private letter ruling requests for a waiver?

The IRS processes private letter ruling waiver requests in the order received. However, the IRS will not process and will return any requests that do not include the appropriate user fee and/or that do not comply with the procedural requirements described above.

15. Is a request for a private letter ruling waiver subject to disclosure?

The text of letter rulings is generally open to public inspection. The IRS makes deletions before it is made available to the public. To help the IRS make any necessary deletions, a request for a letter ruling must be accompanied by a statement indicating the deletions desired ("deletions statement"). If you only want names, addresses and identifying numbers to be deleted, you should state this in the deletions statement.

16. Where do I send the private letter ruling request for a waiver?

You should send the private letter ruling request with the appropriate user fee to the IRS at the following address:

Internal Revenue Service
Attn: EP Letter Rulings
7940 Kentucky Drive
TE/GE Stop MS 31A Team 105
Florence, KY 41042

Letter ruling requests will not be accepted via fax.

17. What are the primary differences between requesting a private letter ruling for a waiver and using the self-certification procedure?

The primary differences are that under the self-certification procedure you:

Retirement Plan FAQs,
Continued from page 14

- Do not have to file a request with the IRS;
- Do not have to pay a fee to the IRS;
- Do not have to wait to receive a letter ruling from the IRS before making the late rollover contribution; and
- Do not have a guarantee that you qualify for a waiver. You may wish to contact a tax advisor to be sure you satisfy the requirements for a waiver of the 60-day requirement and the other requirements for a valid rollover.

18. Where can I find more information regarding rollovers?

Here are some additional resources:

- Rollovers of Retirement Plan and IRA Distributions
- YouTube video - IRA/Retirement Plan 60-Day Rollover Waivers
- Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs)
- Publication 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
- Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans)