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ALSO IN THIS ISSUE –

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

Final Review 2023 Form 5498

2828 ☐ VOID ☐ CORRECTED

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) $

OMB No. 1545-0747 | 2023 | Form 5498

IRA Contribution Information

2 Rollover contributions $

3 Roth IRA conversion amount $

4 Recharacterized contributions $

Copy A For Internal Revenue Service Center

File with Form 1096.

TRUSTEE'S or ISSUER'S TIN | PARTICIPANT'S TIN

5 FMV of account $

6 Life insurance cost included in box 1 $

PARTICIPANT'S name

7 IRA ☐ SEP ☐ SIMPLE ☐ Roth IRA ☐

8 SEP contributions $

9 SIMPLE contributions $

For Privacy Act and Paperwork Reduction Act Notice, see the **2023 General Instructions for Certain Information Returns.**

Street address (including apt. no.)

10 Roth IRA contributions $

11 Check if RMD for 2024 ☐

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

Account number (see instructions)

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 2023 Form 5498 are: furnish copy B to the IRA accountholder by May 31, 2024 and file Copy A with the IRS also by May 31, 2024. If you file electronically, you must comply with the filing specifications set forth in Publication 1220.

What's New For 2023?

Form 5498

E-filing returns. The Taxpayer First Act of 2019 authorized the Department of the Treasury and the IRS to issue regulations that reduce the 250-return e-file threshold. T.D. 9972, published February 23, 2023, lowered the e-file threshold to 10 (calculated by aggregating all information returns), effective for information returns required to be filed on or after January 1, 2024. Go to *IRS.gov/InfoReturn* for e-file options.

Roth SEP IRAs and Roth SIMPLE IRAs. For tax years beginning after December 31, 2022, a simplified employee pension (SEP) arrangement or SIMPLE-IRA plan may allow an employee to designate a Roth IRA as the IRA to which contributions under the arrangement or plan are made.

Include in box 8 contributions to a Roth SEP-IRA and also regular SEP-IRA Contributions.

Include in box 9 contributions to a Roth SIMPLE-IRA and also regular SIMPLE-IRA contributions.

See the new discussion for completing box 7.

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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 older. 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 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. 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, 2023 through April 15, 2024 as designated for 2023. 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, 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.
4. **Box 2. Rollover Contributions.** Enter the amount of the rollover contributions made on or after January 1, 2023 through December 31, 2023. 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 generally 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.

Note. Do not use box 2 for late rollover contributions, including rollovers of qualified plan loan off-

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Continued from page 2

set amounts after 60 days or any of the following repayments made after 60 days.

- •Qualified reservist distributions.
- •Qualified disaster distributions.
- •Qualified birth or adoption distributions.

See the instructions for boxes 13a through 13c, 14a, and 14b, later.

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.

We understand the late rollover procedures apply to rollovers made by a person because the IRS had to repay its levy and payments made to a beneficiary in error when the error was the fault of someone other than the beneficiary.

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 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 accountholder 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 7. Indicate the type of IRA - NEW Instructions.** Until this year (2023) only one of the four boxes was checked. As applicable, the proper box was checked - traditional, SEP, SIMPLE or Roth. One does not file the Form 5498 to report a SIMPLE 401(k) account.

   The IRS now instructs that two boxes must be checked if the IRA accountholder has either a Roth SEP-IRA or a Roth SIMPLE-IRA.

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Check both "SEP" and "Roth IRA" if you are filing Form 5498 to report information about a Roth SEP-IRA.

Check both "SIMPLE" and "Roth IRA" if you are filing Form 5498 to report information about a Roth SIMPLE-IRA.

10. **Box 8. SEP Contributions.** Any SEP contributions including Roth SEP made to the IRA custodian during 2023 are to be reported in box 8. Such contributions could have been for 2022 or 2023. Contributions made in 2024 for 2023 are to be reported on the 2024 Form 5498.

11. **Box 9. SIMPLE Contributions.** Any SIMPLE-IRA including Roth SIMPLE contributions made during 2023 are to be reported in box 9. Such contribution could have been for 2022 or 2023. Contributions made in 2024 for 2023 are to be reported on the 2024 Form 5498.

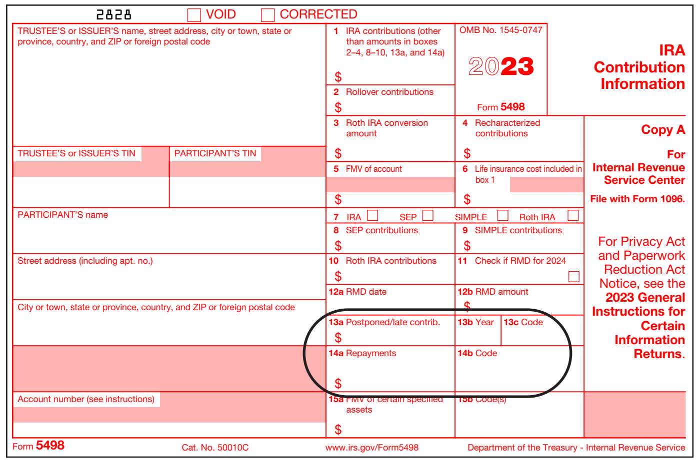
12. **Box 10. Roth IRA Contributions.** Any Roth IRA contributions for 2023 are to be reported in box 10 as long as made between January 1, 2023 and April 15, 2024.

13. **Box 11. Check if RMD for 2024.** 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 2024. This box should <u>not</u> be checked for an inherited IRA. Completing this box is necessary only if the IRA custodian is required to prepare a 2023 Form 5498 for a person.

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

    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


2828 VOID CORRECTED
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) $
2 Rollover contributions $
OMB No. 1545-0747
2023
Form 5498
IRA Contribution Information
3 Roth IRA conversion amount $
4 Recharacterized contributions $
Copy A For Internal Revenue Service Center
File with Form 1096.
TRUSTEE'S or ISSUER'S TIN
PARTICIPANT'S TIN
5 FMV of account $
6 Life insurance cost included in box 1 $
PARTICIPANT'S name
7 IRA SEP SIMPLE Roth IRA
8 SEP contributions $
9 SIMPLE contributions $
Street address (including apt. no.)
10 Roth IRA contributions $
11 Check if RMD for 2024
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
For Privacy Act and Paperwork Reduction Act Notice, see the 2023 General Instructions for Certain Information Returns.
Account number (see instructions)
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

for boxes 11, 12a and 12b.

15. **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 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.

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.

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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 2019-2023 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.

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.

Box 13c. Code

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.

16. 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.

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.

17. Box 15a. FMV of certain specified assets. Completion of Boxes 15a and 15b is mandatory for 2023 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 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

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to value asset. When there is no readily available market to be used to determine as 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 simular 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 deadline to furnish the 2023 Form 5498 to the individual and the IRS is May 31, 2024. The IRA custodian/trustee wants to know it has prepared as many 5498 forms as the rules require and that each form has been prepared correctly.

18. 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 For 5498.

Discussion from IRS Instructions

Special reporting for U.S. Armed Forces in designated combat zones. A participant who is serving in, or in support of, the Armed Forces in a designated combat zone or qualified hazardous duty area has an additional period after the normal contribution due date of April 15 to make IRA contributions for a prior year. The period is the time the participant was in the designated zone or area plus at least 180 days. The participant must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return.

Under section 219(f), combat zone compensation that is excluded from gross income under section 112 is treated as includible compensation for purposes of determining IRA contributions.

A qualifying participant is:

- Serving or has served in a combat zone;
- Serving or has served in a qualifying hazardous duty area; or
- Serving or has served in an active direct support area.

If a qualifying participant designates an IRA contribution for a prior year, other than an IRA contribution made by April 15 for the preceding year, you must report the type of IRA (box 7) and the amount on Form 5498. Report the amount either for (1) the year for which the contribution was made, or (2) a subsequent year. See the instructions for boxes 13a, 13b, and 13c, later.

1. If you report a contribution for 2024 made before April 15, 2025, no special reporting is required. Include the contribution in box 1 or 10 of an original Form 5498 or of a corrected Form 5498 if an original was previously filed.

2. If you report the contribution on Form 5498 in a subsequent year, you must include the year for which the contribution was made, the amount of the contribution, and one of the following indicators.

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 “P.L.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 “P.L.115-97” for the Sinai Peninsula of Egypt.

Caution! 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.

Example. For a $4,000 IRA contribution designated by a participant who served under EO13239 for the tax year 2023, enter “4000” in box 13a, “2023” in box 13b, and “EO13239” in box 13c only. Make no entry in box 1 or box 10.

Repayment of qualified reservist distributions. Report any repayment of a qualified reservist distribution as described in section 72(t)(2)(G) in boxes 14a (amount) and 14b (with indicator code “QR”).

Repayment of qualified disaster distributions. Report any repayment of a qualified disaster distribution, as described in applicable disaster legislation, in boxes 14a (amount) and 14b (with indicator code “DD”).

Repayment of qualified birth or adoption distributions. Report any repayment of a qualified birth or adoption distribution as described in section 72(t)(2)(H) in

boxes 14a (amount) and 14b (with indicator code “BA”).

Military death gratuities and servicemembers’ group life insurance (SGLI) payments. Recipients of military death gratuities and SGLI payments may contribute amounts received to a Roth IRA, up to the amount of the gratuity or SGLI payment less any amounts contributed to Coverdell ESAs. Report the amount of the rollover contribution in box 2 only. See section 408A(e)(2), and Notice 2010-15, 2010-06 I.R.B. 390, available at IRS.gov/irb/2010-06_IRB#NOT-2010-15, for more information on limitations.

Reporting "Deemed" Distributions With Respect to a Roth SEP-IRA

The purposes of this article is to discuss the guidance which the IRS has furnished in the instructions for forms 1099-R and 5498.

If authorized by an employer, the employer may allow a participant of the SEP plan to have her of his employer contribution designated as a Roth SEP-IRA.

A participant who makes this election will have a deemed distribution. The IRS instructions clearly state that the employer contribution must be reported for the year in which the contribution is made to the employee's Roth SEP-IRA as if a distribution has occurred from a traditional IRA. There is a quasi-conversion. On the Form 1099-R boxes 1a and 2a are to be completed using code 2 or 7 in box 7 as applicable, and the IRA/SEP/SIMPLE box in box 7 is to be checked.

It appears that once these employer's matching or elective deferral funds have been contributed to the participant's Roth IRA that the standard Roth IRA distribution rules apply. That is, the ordering rules apply. Annual contributions are withdrawn first, then conversion contributions and finally earnings are distributed.

Reporting "Deemed" Distributions With Respect to a Roth SIMPLE-IRA

The purposes of this article is to discuss the guidance which the IRS has furnished in the instructions for forms 1099-R and 5498.

If authorized by an employer, the employer may allow a participant of the SIMPLE-IRA plan to have her of his employer matching contribution or the non-elective contribution designated as a Roth SIMPLE-IRA contribution.

A participant who makes this election will have a deemed distribution. The IRS instructions clearly state that the employer contribution must be reported for the year in which the contribution is made to the employee's Roth SIMPLE-IRA as if a distribution has occurred from a traditional IRA. There is a quasi-conversion. On the Form 1099-R boxes 1 a and 2a are to be completed using code 2 or 7 in box 7 as applicable, and the IRA/SEP/SIMPLE box in box 7 is to be checked. A participant who elects to have his or her elective deferrals be designated as Roth SIMPLE-IRA contributions will have his or her Form W-2 prepared to reflect these Designated ROTH SIMPLE-IRA elective deferrals. This was discussed in the January 2024 newsletter.

It appears that once these funds have been contributed to the participant's Roth SIMPLE-IRA that the standard Roth IRA distribution rules apply. That is, the ordering rules apply. Annual contributions are withdrawn first, then conversion contributions and finally earnings are distributed. But the special 2 year rule also applies for SIMPLE-IRAs.

IRS Guidance When an IRA Accountholder is Terminally Ill

The IRS does not require an IRA custodian to make the determination whether an IRA accountholder is terminally ill so that the individual does not owe the additional 10% tax.

In Notice 2024-2 the IRS made clear that an individual could withdraw the entire account balance under this exception as one may do when the disability exception is claimed.

An IRA custodian may choose to do so, but the IRS does not require it. If the IRA custodian does not make the determination that it will use code 2 in box 7, then the individual may claim the 10% tax is not owed by completing Form 5329.

A person who has taken a distribution on account of being terminally ill does have the right to repay any such distribution. There is a three year repayment rule that commences on the distribution date. An IRA custodian would want a special certification signed if a person wants to repay a terminally ill distribution.

An IRA custodian which chooses to report a person as being terminally ill for Form 1099-R purposes must have the following procedure. The individual must obtain a doctor's certification that he or she is terminally ill and that he or she is expected to die within 84 months. The certification form must set forth the doc-

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Terminally Ill,
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tor's name and contact information, the date of the examination of the person or other data and the doctor must sign and date the certification.

Did an IRA Beneficiary Have an RMD Deadline of December 31, 2023 or is it April 15, 2024?

An RMD tax of 25% or 10% or 0% applies when a person has a missed RMD.

IRS guidance in the following situation is not as clear as it should be. Let's assume that Jane Doe is a traditional IRA account holder who died in November of 2023. She designated her daughter Amy as her beneficiary. Jane died at the age of 82. Her RMD for 2023 was $4200 and she had not withdrawn any portion of this $4200.

What is Amy's deadline for withdrawing this $4200?

It is April 15, 2024. The proposed RMD regulation provides on pages 274-275 an automatic waiver for failure to take the RMD for the year of the death. Unless the IRS commissioner determines otherwise, the RMD tax is automatically waived if an IRA accountholder has died and did not satisfy his or her RMD prior to dying and as long as the beneficiary withdraws that RMD no later his or her the tax filing deadline (including extensions).

The proposes RMD regulation applies for tax years beginning on or after January 1, 2022.

The IRS discusses the RMD rules applying to a beneficiary in Publication 590-B (I RA Distributions) and in Form 5329. The IRS has apparently chosen to not discuss this automatically waiver rule in either Publication 590-B or the instructions for Form 5329. The IRS discusses how Part IX of Form 5329 is to be completed. Part IX covers excess accumulations (missed RMDs) in an IRA.

The instructions for line 54 of Form 5329 discusses that a person who has missed an RMD does have the right to submit a request that the IRA waive the RMD tax. A waiver is available if the missed RMD was due to a reasonable error and a person is taking steps to remedy the error.

Automatic waiver means automatic waiver. If the IRA accountholder died in 2023, then a beneficiary has until April 15 to withdraw the RMD for 2023.

A beneficiary should be able to complete this form to indicate that the RMD for this year has been automatically waived. Again, the IRS has apparently chosen to not discuss this automatic waiver in either Publication 590-B or Form 5329. It may be some beneficiaries will pay the RMD tax when it is not due.

The IRS should improve its guidance discussing what is the RMD deadline for the year an IRA accountholder dies. Is it December 31 or the following April 15th? The proposed regulation which is in effect clearly states the deadline is April 15th.

Sometimes a Customer Does Not Want to Do a Rollover

In December of 2022 Jane Doe receives a check for $20,000 from another IRA custodian. In January of 2023 she comes to an IRA custodian wanting to make two Roth IRA contributions of $5500 each.

The CSR seeing the amount of the check is $20,000 concludes that this must be a rollover situation. It was processed as a rollover with the excess $9000 being reported as a distribution.

As discussed in the email guidance below, this customer did not want to do a rollover. She wanted to make one Roth IRA contribution for 2022 and a second Roth IRA contribution for 2023. She understood that she needed to include the $20,000 in her for 2022 and had completed her 2022 tax accordingly.

Here is the email discussion of this situation.

Here is what needs to occur to correct the customer's Roth IRA situation.

She was issued a check in December of 2022 for $20,000 from NSF. This was a distribution from a traditional IRA as the reason code on the Form 1099-R in box 7 was a 7. A normal distribution. She included this $20,000 in her income for 2022.

It was thought there was a rollover contribution made in the amount of $20,000 in January of 2023.

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Does Not Want Rollover,
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The customer never intended to make a rollover contribution. She intended to make two annual Roth IRA contributions with one being for 2022 and one being for 2023. It appears to me that she established only one Roth IRA plan agreement, but she made the two contributions for the two years. She did this in January of 2023. The bank processed it as a rollover contribution in error rather than as two annual contributions.

Was a 2022 Form prepared for her? It does not appear so. This 2022 Form 5498 will need to be prepared and furnished to her and the IRS. She is not required to amend her 2022 return as a person does not report a Roth IRA contribution on her tax return. If FISERV is unable to submit this correction electronically, you may prepare a print version and submit it.

The preliminary 2023 Form 1099-R which has been prepared needs to be corrected before the final 2023 Form 5498 is prepared. See the attached.

The 2023 Form 5498 needs to be prepared correctly. The amount contributed in 2023 for 2023 was $14,500. The amount of $14,500 is to be reported in box 10 on her 2023. Box 2 (rollovers) should be blank. Box 3 should be blank. Box 5 should show the FMV as of 12/31/2023.

She made an excess contribution of $9,000. She withdrew this excess amount immediately in January of 2023. There were no earnings to withdraw. A corrected 2023 Form 1099-R needs to be prepared. It needs to be prepared as follows:

Box 1	$9,000	
Box 2a	0.00	It is known there was no income
Box 2b	Do not check this box	It is known amount distributed is not taxable
Box 7	J8	The excess was made in 2023 and withdrawn in 2023

There are no taxes owing when a person timely withdraws an excess contribution from either a Roth IRA or a traditional IRA. IRS instructions indicate the Forms 5329 and 8606 do not need to be prepared. She withdrew the excess immediately so these forms do not need to be prepared. An explanation should be attached to her tax return that the $9,000 is not taxable because she withdrew an excess contribution.

IRS Grants Special Relief for Certain Rollovers Which Did Not or Do Not Comply With the Once Per Year (365 Day) Rule

On January 25, 2024 in Notice 2024-23 the IRS issued special rollover relief for a taxpayer who made a rollover to or from the designated beneficiary's Maryland Prepaid College Trust account before January 1, 2025 and violated the once per year rule. This rollover was preceded by a qualified rollover from that same designated beneficiary's Maryland Prepaid College Trust account after December 31, 2021. The once per year otherwise would have applied to this rollover.

The IRS special relief - the IRS will not assert that there has been non-compliance with the once per year rule. Note the IRS does not use the term - granting a waiver.

A taxpayer who has received a Form 1099-Q for the distribution which was rolled over is not required to include that amount in income and is not required to report it on the taxpayer's tax return. The taxpayer is also not required to report this distribution on the Form 5329. The distribution is not subject to the 10% additional tax.

The IRS does not explain why this special relief is warranted to these taxpayers who had a Maryland Prepaid Trust Account and who had made or will make multiple rollovers without complying with the once per year rule.

If an IRA accountholder violates the once per year (365 days) rollover rule the tax consequences are adverse. A traditional IRA distribution becomes taxable. A Roth IRA distribution is ineligible to be returned to the Roth so it may continue to earn tax free income. We at CWF are unaware where the IRS has ever given special relief to an IRA situation where a person has failed to comply with the once per year rule.

The purpose of this article is to discuss this special rule, because it will be a good change in policy and procedure if similar special relief will be applied to IRAs in some cases. The IRS should furnish additional guidance. The same rules should apply to all taxpayers.

Although it is good news that the IRS has issued this

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Once Per Year Rule,
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special rollover relief, the IRS should explain why this relief was limited to only taxpayers who had a Maryland Prepaid Trust Account. Also, note that multiple rollovers may take place as long as the rollovers occur on or before January 1, 2025.

The IRS should furnish similar special relief for IRA situations. Time will tell if the IRS will do so.

The IRS often claims that Congress or the law has not given the IRS the authority to grant relief. More and more the IRS is taking the approach that the IRS will not assert a certain tax position. This approach is good as long as the same rules apply to all taxpayers.

Email Guidance – What Forms are Completed for a Recharacterization?

Q-1. I have a client, Julie, who made a 2023 contribution to a traditional IRA of $6,000 in 2023. She is now in March of 2024 looking to open a Roth IRA and recharacterize that contribution to the Roth IRA.

She is looking to do this before she files her taxes for 2023. Could you walk me through this process?

Julie wasn't sure if it would be possible since we have already completed the reporting for 2023 contributions, and thought it might be reported for 2024 instead?

Also she was concerned about the interest, do you have a way to calculate that? The traditional IRA that she contributed the $7,500 into was an existing account so the interest that was deposited to the IRA will be off if we recharacterize his contribution.

A-1. I have sent you three forms which may be used. You and she should review the special explanation set forth on our Form 56-TREX.

I will discuss the related income topic later. For illustration purposes I am assuming there was $150.00 of earning with respect to the $7,500 contribution. The amount to be moved to the Roth IRA is $7,650.00.

She needs to instruct to do the "internal" recharacterization by completing our Form 54-TR1.

The concept of the law is - by doing a recharacterization before her tax filing deadlines she is treated as having made a Roth IRA contribution in 2023 for tax year 2023. If she has no other Roth IRA her 5-year period commenced on January 1, 2023.

Recharacterizations are form intensive.

IRS Reporting Forms

1. She is to receive a 2023 Forms 5498 by 5/31/2024 indicating she made a $7,500 contribution to her traditional IRA. Box 1 will be completed to show this $7,500 contribution.

   She should attach the special explanation to both her 2023 and 2024 tax returns.
2. She will receive a 2024 Form 1099-R by 1/31/2025 indicating there was a deemed withdrawal of the $7,650. Box 1 is completed with $7,650. Box 2a is completed with 0.00 and box 7 will be completed with a "R".

   She will need to complete her 2024 Form 1040 to show that her deemed IRA distribution from the traditional IRA is not taxable because this distribution was a recharacterized distribution.
3. She will receive a 2024 Form 5498 for the Roth IRA by 5/31/2025 indicating there was a deemed contribution of the $7,650. Box 4 is completed with $7,650.

Discussion of the related income topic.

In order for a person to use this beneficial tax rule, the income earned by the $7,500 must be determined and transferred. A person wants to do this because ultimately the $80.00 will be tax-free when withdrawn from the Roth IRA whereas if it stays in the traditional IRA it will be taxed when withdrawn.

Table I-2. **How Are a Traditional IRA and a Roth IRA Different?**

This table shows the differences between traditional and Roth IRAs. Answers in the middle column apply to traditional IRAs. Answers in the right column apply to Roth IRAs.

Question	**Answer**	
	Traditional IRA?	**Roth IRA?**
Is there an age limit on when I can open and contribute to a	No. For tax years after 2019, you are able to contribute to your IRA even if you have reached age 70½ or older. See *Who Can Open a Traditional IRA?* in chapter 1.	No. You can be any age. See *Can You Contribute to a Roth IRA?* in chapter 2.
If I earned more than $6,500 in 2023 ($7,500 if I was age 50 or older by the end of 2023), is there a limit on how much I can contribute to a	Yes. For 2023, you can contribute to a traditional IRA up to: • $6,500, or • $7,500 if you were age 50 or older by the end of 2023. There is no upper limit on how much you can earn and still contribute. See *How Much Can Be Contributed?* in chapter 1.	Yes. For 2023, you may be able to contribute to a Roth IRA up to: • $6,500, or • $7,500 if you were age 50 or older by the end of 2023, but the amount you can contribute may be less than that depending on your income, filing status, and if you contribute to another IRA. See *How Much Can Be Contributed?* and Table 2-1 in chapter 2.
Can I deduct contributions to a	Yes. You may be able to deduct your contributions to a traditional IRA depending on your income, filing status, whether you are covered by a retirement plan at work, and whether you receive social security benefits. See *How Much Can You Deduct?* in chapter 1.	No. You can never deduct contributions to a Roth IRA. See *What Is a Roth IRA?* in chapter 2.
Do I have to file a form just because I contribute to a	Not unless you make nondeductible contributions to your traditional IRA. In that case, you must file Form 8606. See *Nondeductible Contributions* in chapter 1.	No. You don't have to file a form if you contribute to a Roth IRA. See *Contributions not reported* in chapter 2.