

January 31, 2014 Deadlines

January 31, 2014 is the deadline for an IRA custodian/trustee to *furnish (i.e. mail, email, fax or personally deliver)* the following to its IRA accountholders and its inheriting IRA beneficiaries. If this deadline would be missed, the IRS may assess the fines discussed at the end of the article.

The cost of a first class stamp increases to .49 (from .46) as of January 26, 2014 (Monday so some savings may be realized by mailing by January 26. January 31, 2014 falls on a Friday (*the fifth Friday in January*)).

2013 Form 1099-R

Any person (*accountholder or beneficiary*) who received a distribution(s) from an IRA totaling more than \$10 for the year must be furnished a 2013 Form 1099-R.

This FMV statement must be prepared on a per plan agreement basis. That is, if a person would have two traditional IRAs and one Roth IRA, then he or she would need to be furnished three Form 1099-Rs. In addition, there must be a Form 1099-R prepared for each applicable distribution code. For example, if a person has traditional IRA and one distribution required the use of Code "1", one the use of code "3" and one the use of Code "7", then three Form 1099-R's must be furnished.

When an individual receives more than one copy of the Form 1099-R, then it is mandatory for the IRA custodian/trustee to insert a unique number in the account number box located in the lower left hand corner of the form. Even though there will be times when furnishing this account number is not required, the IRS encourages IRA custodian/s trustees to voluntarily furnish it. This account number allows the IRS to process the submissions of any corrected forms. If the IRA custodian would fail to timely furnish a 2013 Form 1099-R or furnishes one prepared with errors due to its errors, then the IRS may assess a fine of \$100 per form.

Fair Market Value (FMV) statements

An IRA custodian must furnish a FMV statement to each IRA accountholder and each inheriting beneficiary having a balance as of December 31, 2013, to each IRA accountholder who died during 2013, and to any IRA accountholder who made a reportable contribution for 2013 during 2013.

This FMV statement must be prepared on a per plan agreement basis. That is, if a person would have two traditional IRAs and one Roth IRA, then he or she would need to be furnished three FMV statements these could be combined as long as there were three separate sections.

There must be a sentence on the statement informing the recipient that the FMV information (*Balance as of December 31*) will be furnished to the IRS when the 2013 Form 5498 will be filed with the IRS in May of 2014.

The IRA Custodian/trustee may, but is not required, to furnish contribution and earnings (*including interest*) information on the FMV statement for traditional IRAs, SEP-IRAs and Roth IRAs. However, a special rule applies for SIMPLE-IRAs. In the case of a SIMPLE-IRA, the IRA custodian must furnish a detailed statement listing all *contributions (dates, and amounts)* made by the employer on behalf of the SIMPLE-IRA accountholders.

Why is it required to furnish the FMV statement? A taxpayer who has basis within a traditional IRA, SEP-IRA or SIMPLE-IRA needs the FMV for purposes of completing the Form 8606 to determine the taxable portion of a distribution and the non-taxable portion.

The IRS may assess a penalty of \$50 for each failure to furnish the FMV statement for traditional IRAs, SEP IRAs, and Roth IRAs. The penalty is \$100 PER DAY for failing to furnish the FMV statement for a SIMPLE-IRA.

RMD Notice for 2014.

An IRA custodian/trustee must furnish each traditional/SEP/SIMPLE-IRA accountholder who was born on or before June 30, 1934 and who has a balance as of December 31, 2013 with an RMD Notice. This RMD notice must be furnished to ALL such accountholders and not only to those individuals who attain age 70½ in 2014. The RMD notice is not required to be furnished to an individual who only attains age 70 in 2014 (*i.e. born between July 1, 1934 and December 31, 2014*).

There is no requirement and no need to furnish an RMD Notice to a Roth IRA accountholder since the RMD rules do not apply to a Roth IRA accountholder while he or she is alive.

Three items must be set forth in the required RMD Notice.

First, the deadline applying to the IRA accountholder. This will be December 31, 2014, for an individual who is older than age 70½ in 2014 or April, 2015, if the individual does attain age 70½ in 2014. Second, there must a sentence informing the individual that the IRS will be told on the 2013 Form 5498 that he or she is subject to the RMD rules for 2014. Third, the individual must be informed of his or her RMD amount for 2014 or that such amount has not been calculated, but will be if the individual contacts the IRA custodian/trustee and requests that the calculation be made.

Although the RMD laws apply to an inheriting IRA beneficiary of all four types of IRAs, current IRS rules do not require the IRA custodian/trustee to furnish an RMD notice. CWF strongly suggests you do so. The model IRS IRA forms do require that there be an RMD distribution made to an inheriting beneficiary. A beneficiary who fails to take an RMD will owe the 50% tax and may well argue that the custodian/trustee should pay some of this tax for its failure to notify or pay out a RMD. The IRS may assess a fine of \$50.00 for each time an IRA custodian/trustee would fail to furnish a complying RMD notice.

In summary, an IRA custodian/trustee must furnish the 2013 Form 1099-Rs, FMV statements, and 2014 RMD Notices by January 31, 2014 or it will be subject to being fined by the IRS.