

## What Records Must the Roth IRA Accountholder and/or Beneficiary Keep ?

When a person withdraws funds from an IRA or pension plan, the IRS takes the tax administrative position that the distribution must be included in the person's income and he or she must pay the related income taxes unless able to explain and prove why the distribution is not taxable. The key term is "prove". The IRS has not discussed this proof requirement as clearly as is needed.

The tax goal with a Roth IRA is to have the distributions be qualified and be tax-free. The person or entity withdrawing Roth IRA funds from a Roth IRA must be able to prove to the IRS that the requirements needed to be met to have a qualified distribution have been met.

A copy of the individual's first Roth IRA plan agreement must be kept. It will show the date the Roth IRA was first opened and for what tax year. If a person is not able to locate the plan agreement, the individual could furnish a copy of the earliest FMV statement that can be found. The goal is to be able to prove that the Roth IRA has been in existence for five(5) years and that the 5-year requirement has been met. And copies of all Roth IRA amendments should be kept.

Presumably, if the Roth IRA would not be a qualified Roth IRA at the time of distribution, any earnings would be taxable, but the basis would not be.

Certain Roth IRA distribution forms as previously completed by the Roth IRA accountholder or inheriting beneficiary must be kept.

Remember that a distribution by a Roth IRA accountholder age 59½ or old is qualified once the five-year requirement has been met and all subsequent distributions are also qualified. It would seem logical then that the individual or the beneficiary would no longer be required to keep copies of the 5498 forms, 1099-R forms and Form 8606; but the IRS instructions do not state this.

A Roth accountholder who is not yet age 59½, but is disabled will have a qualified distribution as long as the five-year rule has been met. A doctor's certification of disability is needed.

And a Roth accountholder who is not yet age 59½, but who makes a first time homebuyer distribution will have a qualified distribution as long as the five-year rule has been met and the individual is able to prove that the distribution meets the requirements need to have a first time home buyer distribution.

Any distribution to a Roth IRA beneficiary will be qualified once the five-year requirement has been met. The beneficiary will want proof the Roth IRA accountholder has died, that he or she was the designated beneficiary, and that the five-year 'requirement has been met.