

Finding IRA Answers



Learning Objectives

- ✔ Review commonly asked IRA questions
- ✔ Learn about the resources available to find answers

Question
1

I reviewed my quarterly statement and noticed the contribution I made on April 8, 2019 was listed as a current-year contribution and I wanted it to be for the prior year.

Will you change the year so the contribution is reported for the prior year?



Answer
1

I'll review the paperwork that was completed at the time of the contribution. If it shows that you indicated a prior-year contribution, then I'm able to correct the contribution as being for the prior year.

If the paperwork doesn't indicate the prior year, I'm not able to correct the contribution.





According to the 2018 Publication 590-A, contributions between January 1 and the tax return deadline should be allocated to either the current year or the prior year. Without direction, we assume and report that the contribution is for the current year.

Designating year for which contribution is made. If an amount is contributed to your traditional IRA between January 1 and April 15, you should tell the sponsor which year (the current year or the previous year) the contribution is for. If you don't tell the sponsor which year it is for, the sponsor can assume, and report to the IRS, that the contribution is for the current year (the year the sponsor received it).

Question
2

I made a SEP contribution from my business in March 2019 and counted it on my 2018 tax return.

Why didn't I receive a 2018 Form 5498 showing I made the SEP contribution for 2018?

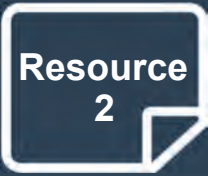


Answer
2

We report SEP plan contributions to the IRS and you for the year they are received, not the year you indicate on your business tax return.

Because the SEP plan contribution was made in 2019, you'll receive a 2019 Form 5498 in May of 2020 showing the contribution.





According to the 2018 *Instructions for Forms 1099-R and 5498*, SEP plan contributions are reported for the year they are received.

Box 8. SEP Contributions

Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2018, including contributions made in 2018 for 2017, but not including contributions made in 2019 for 2018. Trustees and issuers are not responsible for reporting the year for which SEP contributions are made. Do not enter employee contributions to an IRA under a SEP plan. Report any employee contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account.

Question
3

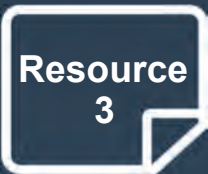
I'm 72 and would like to make a contribution to my SEP plan. Am I allowed to do that?



Answer
3

Even though you are age 70½ or older, you may continue to receive SEP plan contributions. You are required to start RMDs in the year you attain age 70½.





According to the 2018 Publication 560, an employee may receive SEP plan contributions after attaining age 70½. The 70½ age restriction applies to regular Traditional IRA contribution eligibility.

How Much Can I Contribute?

The SEP rules permit you to contribute a limited amount of money each year to each employee's SEP-IRA. If you are self-employed, you can contribute to your own SEP-IRA. Contributions must be in the form of money (cash, check, or money order). You can't contribute property. However, participants may be able to transfer or roll over certain property from one retirement plan to another. See Pubs. 590-A and 590-B for more information about rollovers.

You don't have to make contributions every year. But if you make contributions, they must be based on a written allocation formula and must not discriminate in favor of highly compensated employees (defined in chapter 1). When you contribute, you must contribute to the SEP-IRAs of all participants who actually performed personal services during the year for which the contributions are made, including employees who die or terminate employment before the contributions are made.

Contributions are deductible within limits, as discussed later, and generally aren't taxable to the plan participants.

A SEP-IRA can't be a Roth IRA. Employer contributions to a SEP-IRA won't affect the amount an individual can contribute to a Roth or traditional IRA.

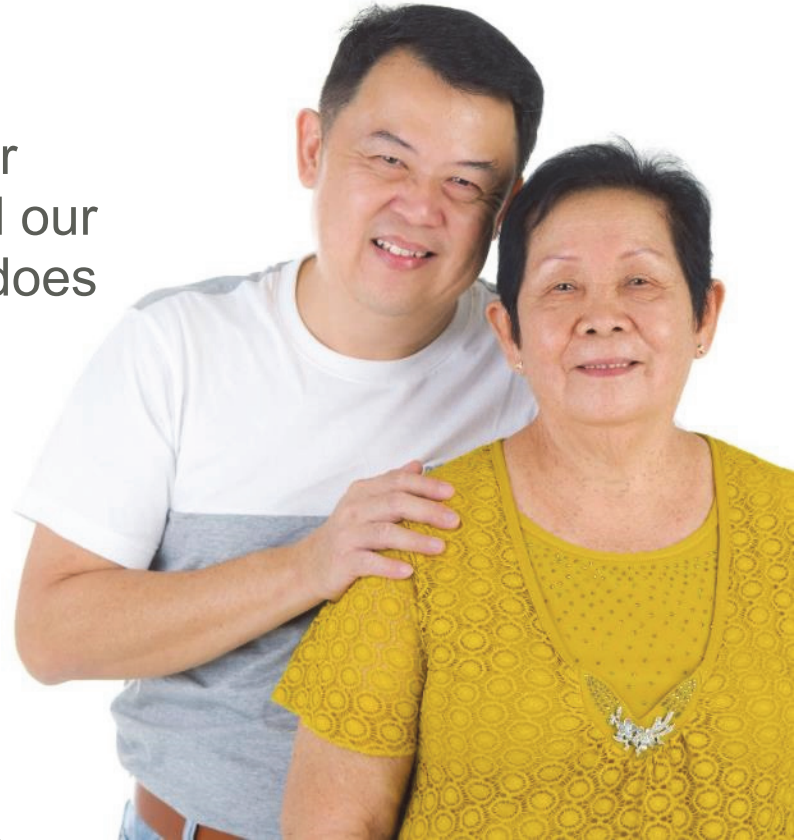
Unlike regular contributions to a traditional IRA, contributions under a SEP can be made to participants over age 70½. If you are self-employed, you can also make contributions under the SEP for yourself even if you are over 70½. Participants age 70½ or over must take required minimum distributions.




IRC Sec. 408(k)(2)
Form 5305-SEP, Article I

Question
4

We'd each like to contribute to Roth IRAs for this year. Our son, who does our taxes, said our MAGI is \$200,000. What is MAGI and why does that matter? How much can we contribute?





Answer
4

To make a contribution to a Roth IRA, you must have earned income and be under the modified adjusted gross income or MAGI limit for the year the contribution is for. We are not responsible to determine if you meet the qualification requirements.

You should talk with a competent tax preparer or you can refer to the IRS Publication 590-A to determine if you are eligible. This publication will also include a definition and calculation for MAGI.



Can You Contribute to a Roth IRA?

Generally, you can contribute to a Roth IRA if you have taxable [compensation](#) (defined later) and your [modified AGI](#) (defined later) is less than:

- \$199,000 for married filing jointly or qualifying widow(er);
- \$135,000 for single, head of household, or married fil-ing separately and you didn't live with your spouse at any time during the year; and
- \$10,000 for married filing separately and you lived with your spouse at any time during the year.

Modified AGI. Your modified AGI for Roth IRA purposes is your adjusted gross income (AGI) as shown on your return with some adjustments. Use [Worksheet 2-1](#) to determine your modified AGI.



Don't subtract conversion income when figuring your other AGI-based phaseouts and taxable income, such as your deduction for medical and dental expenses. Subtract them from AGI only for the purpose of figuring your modified AGI for Roth IRA purposes.

Worksheet 2-1. Modified Adjusted Gross Income for Roth IRA Purposes

Use this worksheet to figure your modified adjusted gross income for Roth IRA purposes.

1. Enter your adjusted gross income from Form 1040, line 7; or Form 1040NR, line 35	1. _____
2. Enter any income resulting from the conversion of an IRA (other than a Roth IRA) to a Roth IRA (included on Form 1040, line 4b; or Form 1040NR, line 17b) and a rollover from a qualified retirement plan to a Roth IRA (included on Form 1040, line 4b; or Form 1040NR, line 17b)	2. _____
3. Subtract line 2 from line 1	3. _____
4. Enter any traditional IRA deduction from Schedule 1 (Form 1040), line 32; or Form 1040NR, line 32	4. _____
5. Enter any student loan interest deduction from Schedule 1 (Form 1040), line 33; For Form 1040NR, line 33	5. _____
6. Enter any domestic production activities deduction (DPAD) from Schedule 1 (Form 1040), line 36, or Form 1040NR, line 34	6. _____
7. Enter any foreign earned income exclusion and/or housing exclusion from Form 2555, line 45, or Form 2555-EZ, line 18	7. _____
8. Enter any foreign housing deduction from Form 2555, line 50	8. _____
9. Enter any excludable qualified savings bond interest from Form 8815, line 14	9. _____
10. Enter any excluded employer-provided adoption benefits from Form 8839, line 28	10. _____
11. Add the amounts on lines 3 through 10	11. _____
12. Enter:	
• \$199,000 if married filing jointly or qualifying widow(er),	
• \$10,000 if married filing separately and you lived with your spouse at any time during the year, or	
• \$135,000 for all others	12. _____

Is the amount on line 11 more than the amount on line 12?

If yes, see the *Note* below.

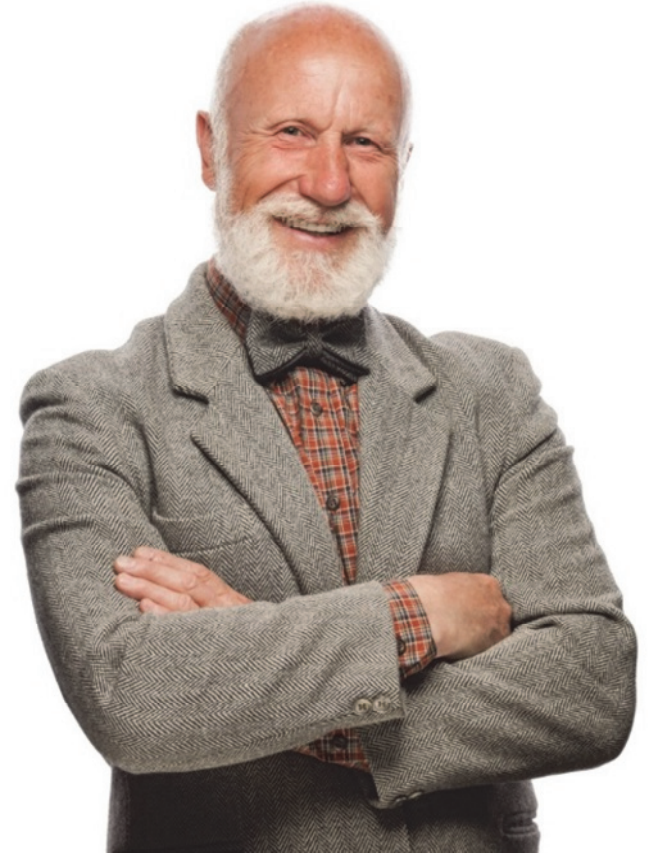
If no, the amount on line 11 is your **modified adjusted gross income** for Roth IRA purposes.

Note. If the amount on line 11 is more than the amount on line 12 and you have other income or loss items, such as social security income or passive activity losses, that are subject to AGI-based phaseouts, you can refigure your AGI solely for the purpose of figuring your modified AGI for Roth IRA purposes. (If you receive social security benefits, use [Worksheet 1](#) in *Appendix B* to refigure your AGI.) Then go to line 3 above in this Worksheet 2-1 to refigure your modified AGI. If you don't have other income or loss items subject to AGI-based phaseouts, your modified adjusted gross income for Roth IRA purposes is the amount on line 11 above.

Question
5

I realize it's January 2, 2019, but I missed taking my RMD for last year. There was a lot going on and I just forgot to stop in.

Can you withdraw it today and report it as a distribution for last year?



Answer
5

As far as reporting is concerned, we will always report distributions in the year that they are distributed.

The IRS doesn't have a "carry-back" distribution option, so we can't report today's distribution for last year.





According to 2018 Publication 590-B, the deadline to receive an annual RMD is December 31. If the RMD for a given year is not received timely, a 50% excise tax on the amount not distributed may be due. You may request a waiver of the excise tax through IRS Form 5329.

Distributions after the required beginning date. The required minimum distribution for any year after the year you turn 70½ must be made by December 31 of that later year.

Example. You reach age 70½ on August 20, 2018. For 2018, you must receive the required minimum distribution from your IRA by April 1, 2019. You must receive the required minimum distribution for 2019 by December 31, 2019.



If you don't receive your required minimum distribution for 2018 until 2019, both your 2018 and your 2019 distributions will be included in income on your 2019 return.

Excess Accumulations (Insufficient Distributions)

You can't keep amounts in your traditional IRA (including SEP and SIMPLE IRAs) indefinitely. Generally, you must begin receiving distributions by April 1 of the year following the year in which you reach age 70½. The required minimum distribution for any year after the year in which you reach age 70½ must be made by December 31 of that later year.

Tax on excess. If distributions are less than the required minimum distribution for the year, discussed earlier under [When Must You Withdraw Assets? \(Required Minimum Distributions\)](#), you may have to pay a 50% excise tax for that year on the amount not distributed as required.

Request to waive the tax. If the excess accumulation is due to reasonable error, and you have taken, or are taking, steps to remedy the insufficient distribution, you can request that the tax be waived. If you believe you qualify for this relief, attach a statement of explanation and complete Form 5329 as instructed under *Waiver of tax* in the Instructions for Form 5329.



Treas. Reg. 1.408-8, Q&A 1

Question
6

My 2018 distribution was reported incorrectly.

It was a qualified charitable distribution and wasn't taxable, so my Form 1099-R shouldn't show the \$2,674.83 distribution as a taxable distribution in Box 1 and 2a or code 7 in Box 7. Will you correct this with the IRS?



Answer
6

We report qualified charitable distributions like any other distribution from your IRA, which is IRS code 7, normal distribution.





According to the 2018 *Instructions for Forms 1099-R and 5498*, there is no special reporting for a qualified charitable distribution.

The 2018 Form 1040 Instructions explain how you claim the distribution as a qualified charitable distribution on your income tax return.

TIP *There is no special reporting for qualified charitable distributions under section 408(d)(8), qualified health savings account (HSA) funding distributions described in section 408(d)(9), or for the payment of qualified health insurance premiums (including long-term care insurance premiums) for retired public safety officers described in section 402(l).*

Exception 3. If all or part of the distribution is a qualified charitable distribution (QCD), enter the total distribution on line 4a. If the total amount distributed is a QCD, enter -0- on line 4b. If only part of the distribution is a QCD, enter the part that is not a QCD on line 4b unless *Exception 2* applies to that part. Enter "QCD" next to line 4b.

A QCD is a distribution made directly by the trustee of your IRA (other than an ongoing SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions (with certain exceptions). You must have been at least age 70½ when the distribution was made.

Question
7

I know that an IRA owner over age 70½ may donate money from her IRA to charity as a qualified charitable distribution, but can I do that as the beneficiary of my grandma's IRA? She passed away at age 85.



Answer
7

In order to treat an IRA distribution as a qualified charitable distribution, you have to be age 70½ or older at the time of the distribution.

Even though the original IRA owner was 70½ or older, as the beneficiary you are not, so you wouldn't be able to make a qualified charitable distribution.





According to the 2018 Publication 590-B, IRA owners and beneficiaries who are age 70½ or older are eligible to make qualified charitable distributions.

Qualified charitable distributions. A qualified charitable distribution (QCD) generally is a nontaxable distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions. You must be at least age 70½ when the distribution was made. Also, you must have the same type of acknowledgment of your contribution that you would need to claim a deduction for a charitable contribution. See *Records To Keep* in Pub. 526.



Notice 2007-7, Q&A 37

Question
8

I received a distribution from my Traditional IRA last year and the amount in the “Taxable amount” box on my Form 1099-R is wrong.

I made nondeductible contributions to my IRA, so the taxable amount should be smaller. Will you correct this?



Answer
8

We report the total that was distributed. You will determine the taxes due and report that on your income tax return.





According to the 2018 Publication 590-B and the 2018 Form 8606 Instructions, you need to determine tax liability by completing IRS Form 8606.

Distributions Fully or Partly Taxable

Distributions from your traditional IRA may be fully or partly taxable, depending on whether your IRA includes any nondeductible contributions.

Fully taxable. If only deductible contributions were made to your traditional IRA (or IRAs, if you have more than one), you have no basis in your IRA. Because you have no basis in your IRA, any distributions are fully taxable when received. See [Reporting and Withholding Requirements for Taxable Amounts](#), later.

Partly taxable. If you made nondeductible contributions or rolled over any after-tax amounts to any of your traditional IRAs, you have a cost basis (investment in the contract) equal to the amount of those contributions. These nondeductible contributions aren't taxed when they are distributed to you. They are a return of your investment in your IRA.

Only the part of the distribution that represents nondeductible contributions and rolled over after-tax amounts (your cost basis) is tax free. If nondeductible contributions have been made or after-tax amounts have been rolled over to your IRA, distributions consist partly of nondeductible contributions (basis) and partly of deductible contributions, earnings, and gains (if there are any). Until all of your basis has been distributed, each distribution is partly nontaxable and partly taxable.

Form 8606. You must complete Form 8606, and attach it to your return, if you receive a distribution from a traditional IRA and have ever made nondeductible contributions or rolled over after-tax amounts to any of your traditional IRAs. Using the form, you will figure the nontaxable distributions for 2018, and your total IRA basis for 2018 and earlier years. See the illustrated Forms 8606 in this chapter.

Who Must File

File Form 8606 if any of the following apply.

- You made nondeductible contributions to a traditional IRA for 2018, including a repayment of a qualified reservist distribution.
- You received distributions from a traditional, SEP, or SIMPLE IRA in 2018 and your basis in traditional IRAs is more than zero. For this purpose, a distribution doesn't include a distribution that is rolled over (other than a repayment of a qualified 2017 disaster distribution (see 2018 Form 8915B)), qualified charitable distribution, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.



Notice 87-16

Question
9

We're the beneficiaries of my dad's IRA. Dad didn't take his RMD for the year that he passed away. Which one of us is responsible for taking it?



Answer
9

Because your dad's IRA had multiple beneficiaries, the remaining RMD should be split between the two of you as the named primary beneficiaries, based on the percentages your dad listed on his beneficiary designation.

Both of you are responsible to ensure the year of death RMD is paid out in the year of death.





According to the 2018 Publication 590-B, any year of death RMD is the responsibility of the beneficiaries and must be paid out in the year of death.

Distributions in the year of the owner's death. The required minimum distribution for the year of the owner's death depends on whether the owner died before the [required beginning date](#), defined earlier.

If the owner died before the required beginning date, there is no required minimum distribution in the year of the owner's death. For years after the year of the owner's death, see [Owner Died Before Required Beginning Date](#), later, under *IRA Beneficiaries*.

If the owner died on or after the required beginning date, the IRA beneficiaries are responsible for figuring and distributing the owner's required minimum distribution in the year of death. The owner's required minimum distribution for the year of death generally is based on [Table III \(Uniform Lifetime\)](#) in Appendix B. However, if the sole beneficiary of the IRA is the owner's spouse who is more than 10 years younger than the owner, use the life expectancy from [Table II \(Joint Life and Last Survivor Expectancy\)](#).



Treas. Reg. 1.401(a)(9)-5

Question
10

I'm 33 and electing withholding on my direct conversion to a Roth IRA.

Will the amount I have withheld be subject to the 10% early distribution penalty tax?



Answer
10

Any amount that is distributed from the IRA and not converted is subject to the 10% early distribution penalty tax, unless you have a penalty tax exception.





According to the 2018 Publication 590-A, any amount not properly converted is subject to the 10% early distribution penalty tax, unless a penalty tax exception applies.

Converting From Any Traditional IRA Into a Roth IRA

Allowable conversions. You can withdraw all or part of the assets from a traditional IRA and reinvest them (within 60 days) in a Roth IRA. The amount that you withdraw and timely contribute (convert) to the Roth IRA is called a conversion contribution. If properly (and timely) rolled over, the 10% additional tax on early distributions won't apply. However, a part or all of the distribution from your traditional IRA may be included in gross income and subjected to ordinary income tax.

You must roll over into the Roth IRA the same property you received from the traditional IRA. You can roll over part of the withdrawal into a Roth IRA and keep the rest of it. The amount you keep will generally be taxable (except for the part that is a return of nondeductible contributions) and may be subject to the 10% additional tax on early distributions. See [When Can You Withdraw or Use Assets](#), later, for more information on distributions from traditional IRAs and [Early Distributions](#) in Pub. 590-B for more information on the tax on early distributions.

Income. You must include in your gross income distributions from a traditional IRA that you would have had to include in income if you hadn't converted them into a Roth IRA. These amounts are normally included in income on your return for the year that you converted them from a traditional IRA to a Roth IRA.

You don't include in gross income any part of a distribution from a traditional IRA that is a return of your basis, as discussed under [Are Distributions Taxable](#) in Pub. 590-B.



IRC Sec. 72(t)

Question
11

The IRA owner named his trust as his IRA beneficiary and I'm the trustee.

I plan on closing the trust, and I want the remaining assets in his IRA to be placed in inherited IRAs for each of the trust beneficiaries. How do I do that?



Answer
11

Because the beneficiary of his IRA is a trust, the trust beneficiaries are not allowed to establish inherited IRAs.





According to the 2018 Publication 590-B, separate accounting rules cannot be used by beneficiaries of a trust.

Separate accounts. A single IRA can be split into separate accounts or shares for each beneficiary. These separate accounts or shares can be established at any time, either before or after the owner's required beginning date. Generally, these separate accounts or shares are combined for purposes of determining the minimum required distribution. However, these separate accounts or shares won't be combined for required minimum distribution purposes after the death of the IRA owner if the separate accounts or shares are established by the end of the year following the year of the IRA owner's death.

The separate account rules can't be used by beneficiaries of a trust.

Note. The [separate account rules](#), discussed earlier, can't be used by beneficiaries of a trust.



Treas. Reg. 1.401(a)(9)-4, Q&A 5(c)

Question
12

I rolled over \$60,000 to my Roth IRA earlier this month, and I found out I was only eligible to roll over \$50,000. Will you fix that transaction?



Answer
12

Any portion of a rollover that is ineligible becomes a regular contribution. To fix this, I'll change the reporting from a \$60,000 rollover to a \$50,000 rollover and a \$10,000 regular contribution.





According to the 2018 Publication 590-A and the 2018 *Instructions for Forms 1099-R and 5498*, a rollover that is later determined to be ineligible is treated as a regular contribution.

Unless there is a waiver or an extension of the 60-day rollover period, any contribution you make to your IRA more than 60 days after the distribution is a regular contribution, not a rollover contribution.



Notice 87-16

Corrected Form 5498. If you file a Form 5498 with the IRS and later discover that there is an error on it, you must correct it as soon as possible. See part H in the 2018 General Instructions for Certain Information Returns, or Pub. 1220, if filing electronically. For example, if you reported contributions as rollover contributions in box 2, and you later discover that part of the contribution was not eligible to be rolled over and was, therefore, a regular contribution that should have been reported in box 1 (even if the amount exceeds the regular contribution limit), you must file a corrected Form 5498.

Question
13

Last week I took a distribution of \$10,000 from my IRA, and I would like to roll over \$6,000 today and \$4,000 in 4 weeks.

Can I do that, or do I have to roll over all \$10,000 at once? I've never taken money from my IRA before, so I'm not sure.



Answer
13

You can roll over part of the IRA distribution today and part later, as long as both amounts are rolled over 60 days from the date following the day you received the distribution.

Because you have not received an IRA distribution that was rolled over in the last 365 days, this will not violate the one-per-12 month rule.





According to the IRS Publication 590-A, the one-per-12 month rule is based on the distribution. The IRA owner is only allowed one *distribution* that is rolled over in a 12-month time period.

Time Limit for Making a Rollover Contribution

You generally must make the rollover contribution by the 60th day after the day you receive the distribution from your traditional IRA or your employer's plan.

Waiting period between rollovers. Generally, if you make a tax-free rollover of any part of a distribution from a traditional IRA, you can't, within a 1-year period, make a tax-free rollover of any later distribution from that same IRA. You also can't make a tax-free rollover of any amount distributed, within the same 1-year period, from the IRA into which you made the tax-free rollover.

The 1-year period begins on the date you receive the IRA distribution, not on the date you roll it over into an IRA. Rules apply to the number of rollovers you can have with your traditional IRAs. See [Application of one-roll-over-per-year limitation](#) below.

Question
14

I have a 401(k) plan that allows my required minimum distribution to be delayed until retirement.

Can I roll over the entire plan balance in October if I retire in December?



Question
14

No, you would have to receive your RMD and then roll over the remaining eligible assets.

Certain assets in a 401(k) plan are eligible for rollover, and RMDs are not one of them.





According to the 2018 Publication 560, RMDs are specifically excluded from the amount of the plan balance that is eligible for rollover.

Eligible rollover distribution. This is a distribution of all or any part of an employee's balance in a qualified retirement plan that isn't any of the following.

1. A required minimum distribution. See [Required Distributions](#), earlier.
2. Any of a series of substantially equal payments made at least once a year over any of the following periods.
 - a. The employee's life or life expectancy.
 - b. The joint lives or life expectancies of the employee and beneficiary.
 - c. A period of 10 years or longer.
3. A hardship distribution.

4. The portion of a distribution that represents the return of an employee's nondeductible contributions to the plan. See [Employee Contributions](#), earlier, and [Rollover of nontaxable amounts](#) next.
5. Loans treated as distributions.
6. Dividends on employer securities.
7. The cost of any life insurance coverage provided under a qualified retirement plan.
8. Similar items designated by the IRS in published guidance. See, for example, the Instructions for Forms 1099-R and 5498.



Treas. Reg. 1.401(a)(9)-5 Q&A 1
Treas. Reg. 1.402(c)-2, Q&A 3
Treas. Reg. 1.402(c)-2, Q&A 7

Question
15

I missed my 60-day deadline for completing the rollover. Is there anything I can do to have the rollover completed?



Answer
15

If you missed your 60-day rollover deadline due to one of the 11 hardship reasons in Revenue Procedure 2016-47, you can complete the self-certification paperwork and complete the rollover.





According to the 2018 Publication 590-A, an individual may self-certify a rollover after the 60-day deadline.

How do you self-certify that you qualify for a waiver?

Pursuant to Revenue Procedure 2016-47 in Internal Revenue Bulletin 2016-37, available at [IRB 2016-37](#), you may make a written certification to a plan administrator or an IRA trustee that you missed the 60-day rollover contribution deadline because of one or more of the 11 reasons listed in Revenue Procedure 2016-47. A plan administrator or an IRA trustee may rely on the certification in accepting and reporting receipt of the rollover contribution. You may make the certification by using the model letter in the appendix to the revenue procedure or by using a letter that is substantially similar. There is no IRS fee for self-certification. A copy of the certification should be kept in your files and be available if requested on audit.



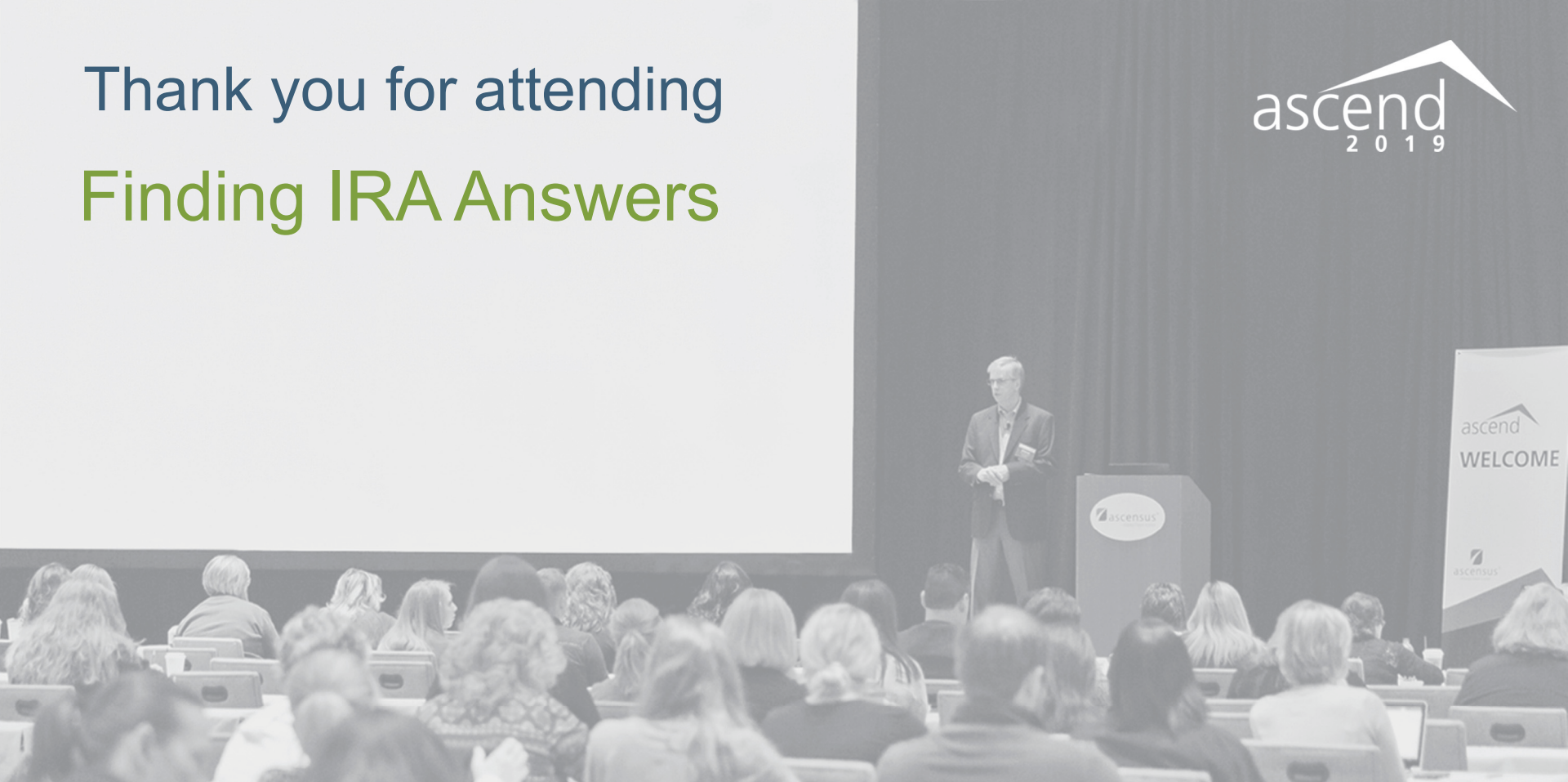
Rev Proc. 2016-47

Questions?

Thank you for attending

Finding IRA Answers

ascend
2019



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