

# IRA and QRP Electronic Delivery and Reporting

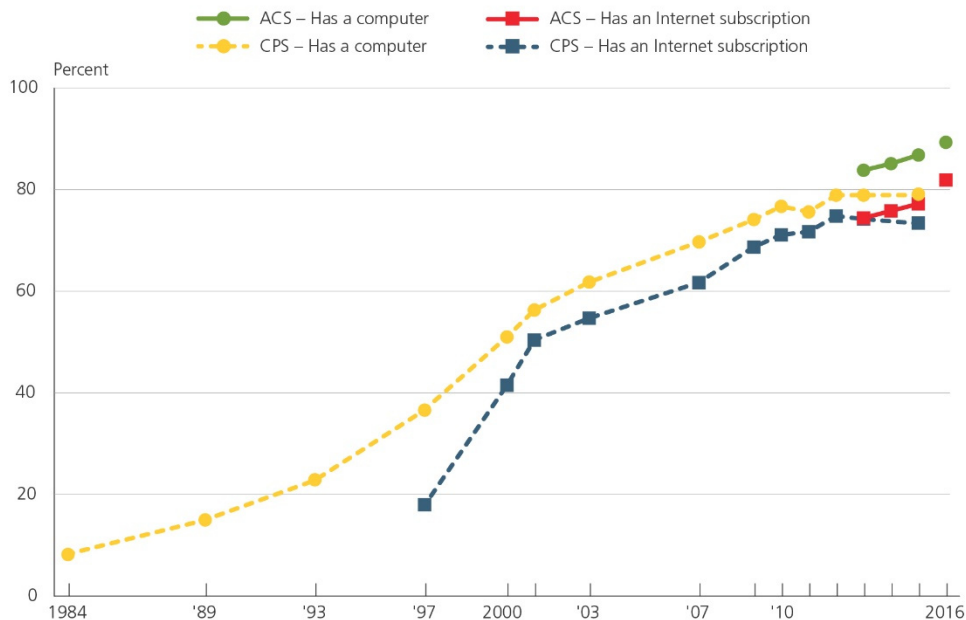


## Learning Objectives

- ✔ Discuss the Internal Revenue Service (IRS) rules for delivering forms (e.g. Forms 1099-R and 5498) electronically
- ✔ Discuss the IRS rules for delivering notices electronically
- ✔ Discuss the Department of Labor (DOL) requirements for delivering participant notices electronically
- ✔ Learn how to appropriately capture plan participant or IRA owner elections through an electronic method

# Computer and Internet Use in the United States

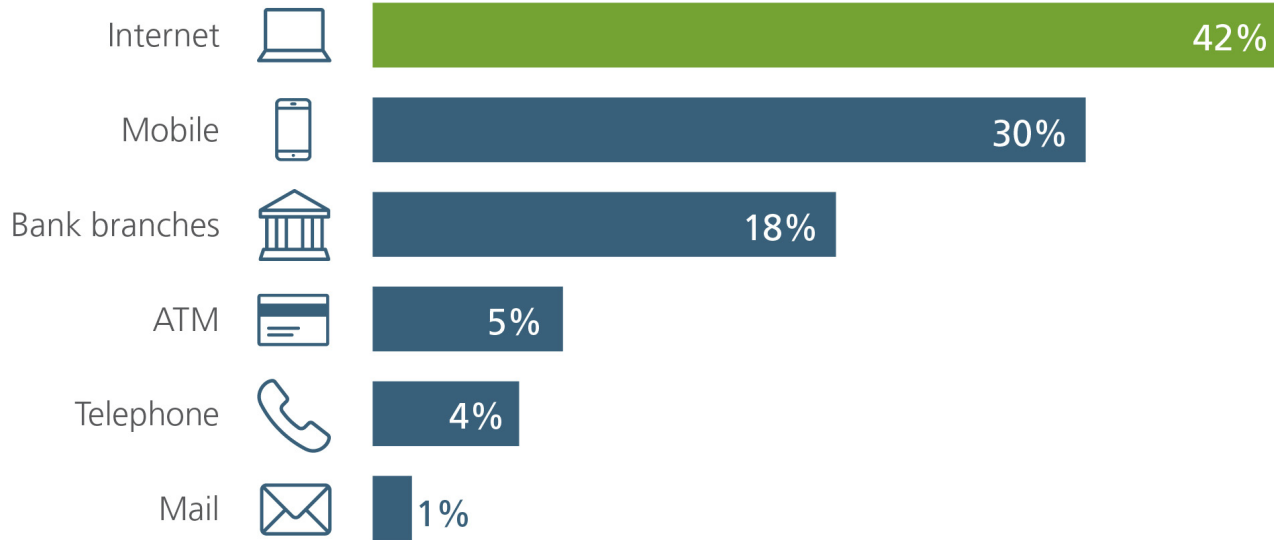
## Percentage of Households With Computer and Internet Use: 1984 to 2016



Source: "Computer and Internet Use in the United States: 2016," Camille Ryan, American Community Survey Reports, August 2018, United States Census Bureau, U.S. Department of Commerce.

# How Americans Access Their Bank Accounts

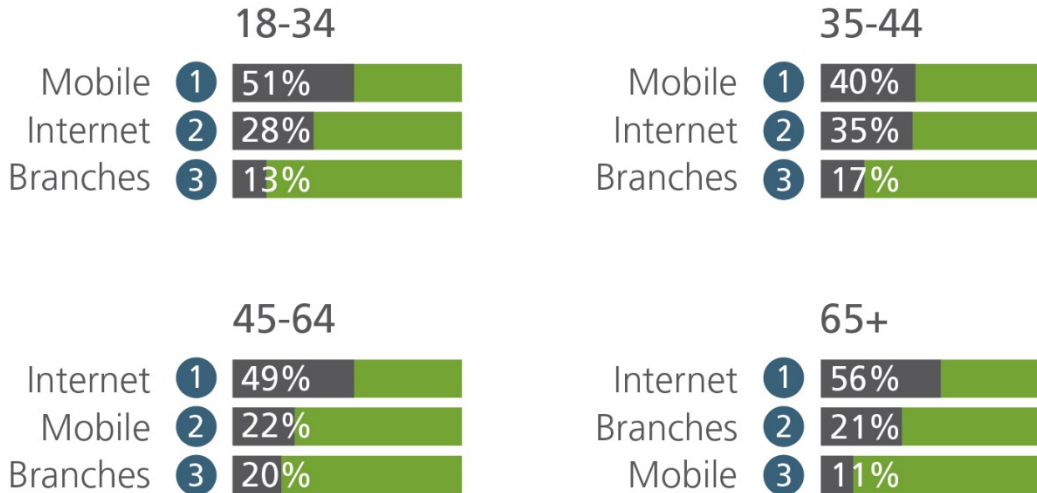
Online, Mobile Used Most Often



Source: "Preferred Banking Methods Infographic," 2018, American Bankers Association.

# Different Generations Have Different Tendencies

## Three Most Utilized Banking Methods by Age Group



Source: "Preferred Banking Methods Infographic," 2018, American Bankers Association.

# Electronic Delivery Methods



# Electronic Delivery Guidelines

IRS

Qualified Plans

IRAs

SEP Plans

SIMPLE IRAs

HSAs

DOL

Qualified Plans

E-SIGN  
UETA

Signature  
required  
documents

# IRS Electronic Transactions

## IRS

Qualified Plans

IRAs

SEP Plans

SIMPLE IRAs

HSA's

Forms

Notices

Elections



# IRS Electronic Transactions

IRS

Forms

*Review General Instructions  
for Certain Information  
Returns*

Form  
1099-R

Form  
5498

Form  
1099-Q

Form  
5498-ESA

Form  
1099-SA

Form  
5498-SA

# Can I Deliver Tax Forms Electronically?

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.		1 Gross distribution \$	2019	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
		2a Taxable amount \$	Form 1099-R	Total distribution <input type="checkbox"/>	
		2b Taxable amount not determined \$		Copy A For Internal Revenue Service Center File with Form 1096.	
PAYER'S TIN	RECIPIENT'S TIN	3 Capital gain (included in box 2b) \$	4 Federal income tax withheld \$		
RECIPIENT'S name		5 Employee contributions/ Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.	
Street address (including apt. no.)		7 Distribution code(s)	8 Other \$		
City or town, state or province, country, and ZIP or foreign postal code		9a Year percentage of total distribution %	9b Total employee contributions \$		
10 Amount allocable to IRAs within 5 years \$	11 1st year of desig. Roth contrib. <input type="checkbox"/>	12 State tax withheld \$	13 State (Payer's) state no.	14 State distribution \$	
Account number (see instructions)	Date of payment	15 Local tax withheld \$	16 Name of locality	17 Local distribution \$	

Form 1099-R Cal. No. 144360 www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service  
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

2628		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747	
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) \$	2019	IRA Contribution Information	
		2 Rollover contributions \$	Form 5498	Copy A For Internal Revenue Service Center File with Form 1096.	
TRUSTEE'S or ISSUER'S TIN	PARTICIPANT'S TIN	3 Roth IRA conversion amount \$	4 Rethatrolled contributions \$		
PARTICIPANT'S name		5 FMV of account \$	6 Life insurance cost included in box 1 \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.	
Street address (including apt. no.)		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/>	8 SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		9 SEP contributions \$	10 ROTH IRA contributions \$	11 Check if RMD for 2020 <input type="checkbox"/>	
		12a RMD date	12b RMD amount \$	13a Postponed/late contrib. 13b Year 13c Code	
		14a Repayments \$	14b Code		
Account number (see instructions)		15a FMV of certain specified assets \$	15b Cash(s) \$		

Form 5498 Cal. No. 520100 www.irs.gov/Form5498 Department of the Treasury - Internal Revenue Service  
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

## Am I Ready to Deliver IRS Tax Forms Electronically?

- I have provided a statement containing the following information to the recipient.
  - A paper copy will be provided if the recipient does not consent to receive the form electronically.
  - The scope and duration of the consent. For example, whether the consent applies to every year the form is provided or only for a particular year, as applicable, immediately following the date of the consent.
  - How to obtain a paper copy after giving consent.
  - How to withdraw the consent. The consent may be withdrawn at any time by providing the withdrawal in writing (electronically or on paper) to the person whose name appears on the statement. Confirmation of the withdrawal also must be in writing (electronically or on paper).
  - Notice of termination. The statement must explain under what conditions the organization will cease to electronically provide forms to the recipient.
  - Procedures to update the recipient's information.
  - A description of the hardware and software required to access, print, and retain a form, and a date the form will no longer be available on the website.
- I have received the recipient's consent to receive tax forms electronically.
- The consent was done electronically and proves that the recipient can access the form in its electronic format.
- I have ensured the electronic format contains all the required information and complies with Publication 1179, which contains the rules applicable to substitute statements to form recipients.

# Preparing to Send Forms

## Preparing to Send Forms

- I have notified recipients of any hardware or software changes (if applicable).
- I have posted, on or before the required due date, the applicable statement on a website accessible to the recipient through October 15 of that year.
- I have informed the recipient the form was posted, electronically or by mail, and how to access and print the disclosure statement, and included the statement IMPORTANT TAX RETURN DOCUMENT AVAILABLE.
- I am ready to redeliver a hardcopy of the form to the individual within 30 days if the notice informing the individual the form was posted is returned as undeliverable.

## Example: IRS Forms

Buckeye State Bank sends an email telling Andrew that he can receive his Form 1099-R electronically and explaining how to access the form, if Andrew consents.

Andrew reads the disclosure and consents.

Buckeye State Bank notifies Andrew when it is posted and how to access the form.

Does this method satisfy the electronic delivery requirements?

Yes



# IRS Electronic Transactions

IRS

Notices

Review Treas. Reg.  
1.401(a)-21

402(f)  
notice

SIMPLE  
401(k)  
notice

IRA notices

ADP/ACP  
safe harbor  
notice

Notice to  
interested  
parties

Withholding  
notice

Automatic  
rollover  
notice

QPSA  
notice

Fair market  
value  
statements

# Can I Deliver Notices Electronically?

## Am I Ready to Deliver IRS Notices Electronically?

- The electronic notice will fulfill all requirements that were part of a paper notice (timing, content, etc.).
- The notice is no less understandable than a paper version of the same notice.
- The significance of the notice will be identified, including the subject matter of the notice.
- There are instructions on how to access the notice.
- The notice has been retained and can easily be reproduced by any party as needed.
- The delivery of the notice can be documented.
- The recipient has consented to receiving the notice electronically.  
(If the recipient has not provided consent, see exemption from consumer consent requirements below.)

# Statement of Information to Recipient

## Consumer Consent

Individuals must affirmatively consent to receive electronic notices unless they have ability to access medium under the “exemption” rule below.

- The individual consented to receiving notices electronically.
  - Consent was made electronically in a manner that demonstrates the recipient can access the notice in the format used to deliver the notice, or
  - Consent was made on paper. (This is acceptable only if the recipient confirms the consent electronically in a manner that demonstrates the ability to access the notice in the format used to deliver the notice.)
- The individual has not withdrawn consent.
- Before consenting to the electronic delivery of the notice, the individual received a statement containing the following information.
  - The individual has the right to receive the notice in a different manner than the electronic notice.
  - The individual can request a paper copy (a description of any fees associated with the request must be included).
  - The individual has the right to withdraw consent (procedures for withdrawing consent and any consequences or fees for the withdrawal must be included.)
  - A description of the scope of the consent being made by the individual and whether it applies to a single notice, some notices, or all notices.
  - A description of the process for updating contact information.
  - A description of the required hardware and software to access the notice.

## Exemption from Consumer Consent

- The recipient has the effective ability to access the electronic medium.
- The recipient has been advised that a paper copy of the notice is available at no charge upon request.

## Example: IRS Notices

Jennifer logs into her credit union's website to check her IRA balance.

The website asks Jennifer if she would like to receive statements electronically.

Disclosure on site explains process and procedure

Jennifer consents, receives confirmation, and acknowledges receipt.

Does this method satisfy the electronic delivery requirements?

Yes





# IRS Electronic Transactions

IRS

Elections

Review Treas. Reg.  
1.401(a)-21



Deferral and  
contribution  
elections



Investment  
elections



Distributions,  
transfers, and  
rollovers



Withholding



Loans



Beneficiary  
designations

# Can I Accept Electronic Elections?

## Am I Ready to Accept IRS Required Elections Electronically?

- The general requirements for delivering notices electronically have been met.  
(Fulfills all the requirements of the election, is as understandable as if delivered on paper, the significance of the election is identified, and the election is retained in a manner that can be readily reproduced by any party.)
- The individual who is completing the election can use the system to make the election.
- The system is designed to authenticate that the appropriate individual is making the election.
- The system allows the individual to review, confirm, modify, or rescind the election before it becomes effective.
- The individual making the election will receive a confirmation of the effect of the election either by paper or electronically if the electronic notice requirements have been met.
- For elections that require a witness or notary public, the E-SIGN\* requirements regarding electronic signature and state law requirements regarding electronic notarization have been met\*\*.

\* E-SIGN provisions state that any transaction that is not retained in a way that is capable of being reproduced later may be considered invalid or not enforceable. Employers and financial organizations should understand this requirement when using the IRS electronic transaction rules because they may have to reproduce the delivery or election to show the transaction did indeed occur. For accounts not subject to E-SIGN, financial organizations should refer to the Uniform Electronic Transactions Act for any applicable requirements.

\*\* At this time, there are no federal guidelines for electronic notarization. If an organization wishes to use electronic notarization, that organization should review the state law requirements, which vary from state to state.

## Example: IRS Elections

Bailey is a participant of the Broadcast Company 401(k) Plan.

Bailey accesses the plan website and enters her account number and PIN.

Bailey completes a distribution request.

She views a summary and form, then confirms the change and submits the election.

Bailey then receives an email confirmation.

Does this method satisfy the electronic delivery requirements?

Yes



# Electronic Delivery Guidelines

IRS

Qualified Plans

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SEP Plans

SIMPLE IRAs

HSAs

DOL

Qualified  
Plans

E-SIGN  
UETA

Signature  
required  
documents

# Electronic Delivery Guidelines

DOL

Qualified  
Plans

Notices

SPD

SAR

SMM

Blackout  
notice

ERISA  
404(c)  
notice

Benefit  
statements

Participant  
fee  
disclosures

# Electronic Delivery Guidelines

DOL

Qualified  
Plans

Notices

Safe Harbor  
Requirements

FAB 2006-03

Technical  
Release  
2011-03R

# Delivering DOL Required Notices

- QRPs
  - 401(k) plans
  - Profit sharing plans
  - Money purchase pension plans
- ERISA 403(b) plans

## Am I Ready to Deliver DOL Required Notices Electronically? (For employers using safe harbor guidelines under DOL Reg. 2520-104b-1(c))

### I have satisfied the requirements for the electronic delivery safe harbor

- I have ensured the electronic system will result in the actual receipt of information (e.g. return receipt, notice of undelivered mail, surveys, etc.)
- I have verified the system protects the confidentiality of personal information relating to the individual's accounts and benefits.
- I have ensured the electronically delivered documents are provided in a manner consistent with the document requirements (style, format, and content).
- I have a method to inform participants of the electronically delivered documents, the significance of the documents, and the participant's right to receive a paper copy free of charge upon request.
- I will provide paper copies of the electronic documents upon request.

# Delivering DOL Required Notices

**For those recipients who have effective access to documents and regular access to systems at work:**

- I have ensured that those who can effectively access documents provided electronically at their job sites or can regularly access the employer's electronic system as part of their job duties have been provided the notice using the electronic system. No consent is required for these individuals.

**For those recipients who are entitled to documents (e.g. retirees, beneficiaries) but do not have effective access to the documents or systems through the employer.**

- I have received consent from individuals who do not have regular access to the company electronic information system but who are entitled to documents.
- I have provided a notice to individuals where consent is required. The notice includes the following.
  - The types of documents to which consent applies
  - Statement that consent may be withdrawn at any time without charge
  - Procedure for withdrawing consent
  - Procedure for updating the address for receipt of documents
  - Right to request a paper version and any associated fees
  - Hardware and software requirements for accessing and retaining the documents
- Consent was made electronically in a manner that demonstrates the recipient can access the notice in the format used to deliver the notice.
- A procedure is in place to request new consent if hardware or software requirements change.
  - Provide updated hardware or software requirements
  - Provide right to withdraw consent without charge
  - New consent is requested



# Electronic Delivery Guidelines

DOL

Qualified  
Plans

Notices

Safe Harbor  
Requirements

FAB 2006-03

Technical  
Release  
2011-03R

# Delivering DOL Pension Benefit Statements

## Am I Ready to Deliver DOL Pension Benefit Statements Electronically?

(Field Assistance Bulletin 2006-03)

- Participants and beneficiaries have continuous access to statement information through at least one secure website.
- A notice was provided to participants and beneficiaries
  - before the date on which the plan must provide the first pension benefit statement under ERISA Section 105 and annually thereafter,
  - explaining availability of the statement information and instructions to access the system,
  - informing individuals of the right to request a paper version of the pension statement information free of charge, and
  - written in a manner understood by the average plan participant.

## Example: DOL Requirements

Carlson, Inc., wants to deliver the Carlson 401(k) Plan summary annual report through a kiosk in the company's lounge.

Is this an acceptable form of delivery?

**No.** According to the DOL, it is not sufficient merely to make the documents available in a location frequented by participants.



# Electronic Delivery Guidelines

DOL

Qualified  
Plans

Notices

Safe Harbor  
Requirements

FAB 2006-03

Technical  
Release  
2011-03R

# Delivering DOL Participant Fee Disclosures

- Information provided in pension benefit statement
  - FAB 2006-03
- Information NOT provided in pension benefit statement
  - DOL Safe Harbor rules
  - Modified affirmative consent

Am I Ready to Deliver DOL Participant Fee Disclosure Electronically?  
(If information is included in a pension benefit statement then follow FAB 2006-03,  
otherwise use this method or DOL safe harbor requirements)

- The electronic delivery system results in actual receipt of the transmitted information.
- The electronic delivery system protects the confidentiality of personal information.
- Notices provided to participants and beneficiaries are written in a manner understood by the average plan participant.

# Delivering DOL Participant Fee Disclosures

## Initial Notice

- The notice must be clear and obvious, provided at the same time and in the same medium as the request for an email address and must contain the following information.
  - A statement that providing an email address for receipt of the disclosures is voluntary and will result in the required disclosures being provided electronically.
  - Brief description of the information that will be provided electronically and how it can be accessed.
  - A statement that the individual has the right to request a paper copy of the information, free of charge, and an explanation of how to obtain the paper copy.
  - A statement that the individual has the right, at any time, to opt out of receiving the information electronically and an explanation of how to exercise that right.
  - An explanation of the procedure for updating the email address.
- Participants and beneficiaries must voluntarily provide the employer with an email address.

*The email address must be provided in response to a request accompanied by an initial notice.*

*Providing an email address will be considered voluntary if the participant must provide it electronically to access a secure website that contains the required disclosure, and an initial notice is provided to the participant.*

# Delivering DOL Participant Fee Disclosures

## Annual Notice

In the year following the year the participant or beneficiary voluntarily provided the email address, and annually thereafter, the plan administrator must provide an annual notice to each participant or beneficiary.

*The plan administrator may send the notice to an email address on file for the participant if there is evidence that the participant has interacted electronically with the plan after the date the notice for the preceding year was provided.*

*Interaction includes participant or beneficiary updating, resubmitting, or confirming his email address to the plan; sending an electronic message to the plan; or logging onto a secure website that contains plan information.*

- The notice must contain the following information.
  - A brief description of the information that will be provided electronically and how it can be accessed.
  - A statement that the individual has the right to request a paper copy of the information, free of charge, and an explanation of how to obtain the paper copy.
  - A statement that the individual has the right, at any time, to opt out of receiving the information electronically and an explanation of how to exercise that right.
  - An explanation of the procedure for updating the email address.



## Example: DOL Participant Fee Disclosure

Lilian works for Tarlek Advertising LLC.

She was given an email address by the company when hired.

Later that year, Lilian was provided a notice regarding electronic delivery of fee disclosure information.

Lilian provided her email address to the employer for receipt of the fee disclosure information.

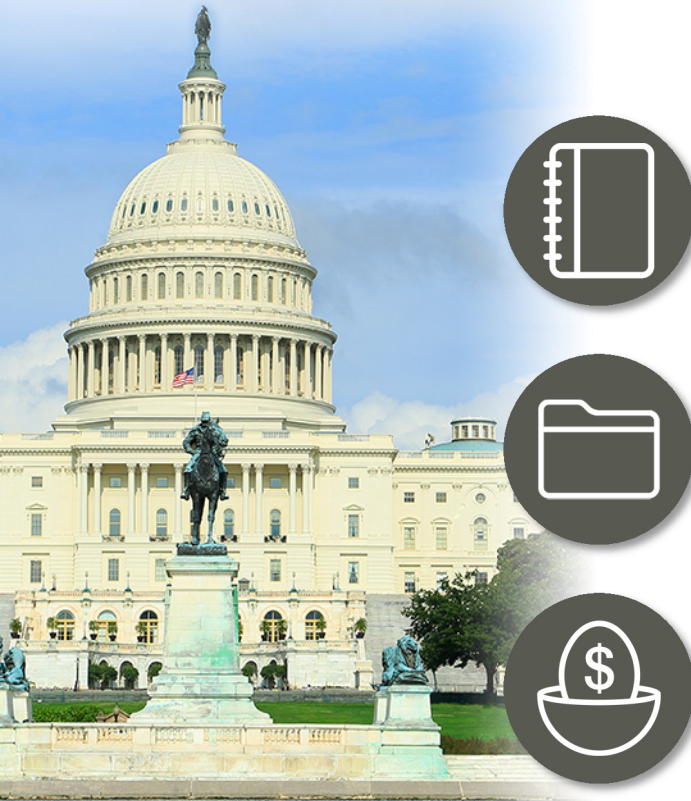
Was Lilian's email address provided voluntarily for purposes of the DOL's interim policy 2011-03R?

Yes, because Lilian subsequently and voluntarily provided the email address to the employer for the purpose of receiving the participant fee disclosures.





# Requests for Reform



2013 GAO Report



DOL Request for Information  
April–June 2011



RETIRE Act

# Following the Rules



May save time and money



Comply with guidance



Go slow



Rules may change

# Questions?

Thank you for attending

# IRA and QRP Electronic Delivery and Reporting

ascend  
2019



**We Appreciate Your Opinion**

Please complete the electronic course survey for this course located on the Ascend 2019 mobile app.



We help over **9 million Americans**  
save for life's biggest moments.  
**Education. Healthcare. Retirement.**