



IRA Rollover – Only One Per Year

New rules for IRA rollovers.

If you have recently changed jobs or have retired with assets in an employer-sponsored retirement plan like a 401(k), you probably have questions about how to roll over your assets into an IRA. The laws changed in 2015 regarding IRAs so this information is worth noting.

Below are the details:

There are two ways to move money between IRAs – rollovers and transfers:

- A tax-free rollover is a distribution from an IRA that is paid directly to the IRA owner, who then returns the money to the same or another IRA within 60 days.
- A transfer occurs when money is moved directly from one IRA to another IRA without the owner ever taking possession of the funds. Transfers are always tax-free.

This distinction is very important. Rollovers are reportable to the IRS and transfers are not. A taxpayer is allowed an unlimited amount of trustee-to-trustee IRA transfers each year, whereas only one tax-free rollover per IRA has been allowed within a one-year (i.e., twelve month) period. That is, until now.¹

The U.S. Tax Court recently ruled that the one rollover per year rule applies to ALL of a taxpayer's IRAs rather than to each IRA separately.

This ruling is considered in direct conflict with IRS Publication 590², which has been the operating guideline for 20-plus years, and is creating quite a stir. The U.S. Tax Court essentially invalidated the IRS's own publication!

For many, many years IRS Publication 590 has indicated that if you have 10 IRA accounts, you can do 10 rollovers per year. Under this new ruling, this is no longer the case. Beginning January 1, 2015, taxpayers will only be allowed one non-

taxable rollover per twelve month period, no matter how many IRA accounts they have.

This new ruling will impact people who have made use of the 60-day rollover rule to temporarily borrow funds from their IRAs, and will require planning ahead to avoid potential pitfalls. The one-year window begins on the date the distribution occurs, rather than on a calendar year basis. Therefore, IRA rollovers that occur this year may impact the timing of a rollover planned for 2016 and future years. Trust Company of Illinois is experienced in this area and offers guidance with IRA rules.

¹ <http://www.marketwatch.com/story/ira-rollover-ruling-stuns-advisers-and-savers-2014-04-04>

² <https://www.irs.gov/pub/irs-pdf/p590b.pdf>