



## **A Review of New IRS Guidelines on IRA Rollovers**

**By Mitch Green, CPA**

The IRS recently published Revenue Procedure 2016-47 – Waiver Of 60-day Rollover Requirement. This revenue procedure makes it easier for individuals to qualify for a waiver when they miss the 60-day limit for an IRA rollover.

If you take a distribution from an IRA, you can classify it as a rollover if you deposit the money back into an IRA within 60-days of the initial distribution. This can be beneficial since most rollovers are not taxable. Prior to the release of Revenue Procedure 2016-47, if you missed the 60-day deadline you had to either pay the tax on the distribution or request a private letter ruling directly from the IRS to receive a waiver. The waiver will allow you to deposit the initial distribution back into an IRA after the 60-day deadline and the IRS will consider it as if you had made the deadline. Revenue Procedure 2016-47 changes the process of receiving a waiver. Instead of requesting a private letter ruling directly from the IRS, a taxpayer can now make a written certification. According to the revenue procedure, "A taxpayer may make a written certification to a plan administrator or an IRA trustee that a contribution satisfies the conditions in Section 3.02 of this revenue procedure." This means that you are now able to write a letter to the plan administrator stating you qualify for a waiver and can make the contribution after 60 days.

There are several conditions, all which must be met, that are needed to qualify for the written certification:

1. No prior denial by the IRS – You cannot have already been denied a waiver to the related contribution.
2. A reason for missing the 60-day deadline – There are several reasons that allow you to qualify for the waiver, which are listed below.
3. Contribution as soon as practicable; 30-day safe harbor - The contribution has to be made within 30 days after the reason that prevented the taxpayer from making the contribution no longer prevents them from doing so.

The following are reasons that qualify for the written certification:

- a) An error was committed by the financial institution receiving the contribution or making the distribution to which the contribution relates;
- b) The distribution, having been made in the form of a check, was misplaced and never cashed;
- c) The distribution was deposited into and remained in an account that the taxpayer mistakenly thought was an eligible retirement plan;
- d) The taxpayer's principal residence was severely damaged;
- e) A member of the taxpayer's family died;
- f) The taxpayer or a member of the taxpayer's family was seriously ill;
- g) The taxpayer was incarcerated;
- h) Restrictions were imposed by a foreign country;
- i) A postal error occurred;

- j) The distribution was made on account of a levy under § 6331 and the proceeds of the levy have been returned to the taxpayer; or
- k) The party making the distribution to which the rollover relates delayed providing information that the receiving plan or IRA required to complete the rollover despite the taxpayer's reasonable efforts to obtain the information.

The revenue procedure included a sample written certification letter that taxpayers can use word for word to send to their retirement plan administrator to qualify for the waiver.

Another thing to note about completing the 60-day rollover is that when you take the distribution, there may be federal and state taxes withheld. When you make the 60-day rollover contribution, you will need to pay back the entire amount, including the amount that was withheld. So for example, if you take a \$10,000 distribution, you may receive \$9,000 and have \$1,000 withheld. You will later need to make a \$10,000 contribution, so you need to make sure you can come up with the \$1,000 that was withheld.

Please contact us if you're unsure if you qualify for a waiver, would like help with the written certification, or want to know more about IRA rollovers. There are different rules regarding IRS that are dependent on several different factors, so please contact us if you'd like help with your specific scenario.

For more information, please contact **Mitch Green** at 616.393.0398 [mgreen@cpamichigan.com](mailto:mgreen@cpamichigan.com).

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