A Total Training Solutions Production

IRA Update and Review 2016

Presented by:
Patrice M. Konarik
Sunwest Training Corp.

Phone: 830-336-3422
Website: www.sunwesttraining.com
E-mail: patrice@sunwesttraining.com

2016 IRA UPDATE AND REVIEW

- 2016 IRA CALENDAR
- IRA COST OF LIVING ADJUSTMENTS 2016
- CONSOLIDATED APPROPRIATIONS ACT OF 2016
- QUALIFIED CHARITABLE DISTRIBUTION REPORTING
- IRA TRANSFER VS. ROLLOVER REPORTING
- MANDATORY JANUARY 2016 NOTICES
2016 IRA Calendar

By February 1, 2016

☐ 1099-R, 1099-Q and 1099-SA must be sent to participants who took a distribution from an IRA, Coverdell ESA or Health Savings Account in 2015
☐ IRA, Coverdell Activity and (Optional) HSA Account Statements with Fair Market Value must be sent to participants
☐ Required Distribution Notices must be sent to IRA plan participants age 70½ or older reminding them of their distribution requirements for 2016.
☐ Annual Federal Withholding Notice must be sent to customers set up on auto payout in the first half of the year.

By March 31, 2016

☐ 1099-R, 1099-Q, 1099-SA must be transmitted to the IRS if filing electronically. (February 29 if filing paper forms)

By April 2016

☐ By 4/1/16 – For IRA accountholders who turned 70½ in 2015 and postponed 2015 RMD until 2016 must be taken
☐ By 4/18/16 – 2015 Regular contribution deadline for Traditional, Roth, Coverdell ESA and Health Savings accounts for the previous year.
☐ By 5/2/16 – Coverdell ESA Activity Report sent to participants who had activity in 2016 for 2015

By May 31, 2016

☐ IRS Transmittal of 2015 contribution and Fair Market Value on forms 5498, 5498-ESA, 5498-SA
☐ Copy of 5498 activity mailed to IRA accountholders who had activity in 2016 for 2015.
2016 IRA Calendar

By July 31, 2016
- Annual Federal Withholding Notice must be sent to customers set up on auto payout only in the second half of the year.

By October 18, 2016
- Contribution deadline for previous year 2015 SEP and SIMPLE contributions
- Deadline for removal of excess contributions made for 2015
- Deadline for recharacterization of 2015 contributions.

By January 2, 2017
- Required Minimum Distribution deadline for accountholders over age 70½ for 2016 distributions
- Required Minimum Distribution deadline for deceased owner’s RMD to taken by beneficiaries if deceased owner had not taken it before date of death in 2016
- Required Minimum Distributions from Inherited IRAs to beneficiaries choosing single life death distributions beginning year after owner died and every year after.

Traditional and Roth IRA Contribution Limits

<table>
<thead>
<tr>
<th>Contribution Year</th>
<th>Contribution Limit Under Age 50</th>
<th>Contribution Limit Age 50 and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 / 2016</td>
<td>$5500</td>
<td>$6500</td>
</tr>
</tbody>
</table>
### IRA DEDUCTIBILITY PHASEOUT

**ACTIVE PARTICIPANT OF A QRP and MAGI IS:**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FULL</th>
<th>PARTIAL</th>
<th>NONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/2016</td>
<td>&lt;$61K</td>
<td>$61K - $71K</td>
<td>&gt;$71K</td>
</tr>
<tr>
<td>Married – both covered</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/2016</td>
<td>&lt;$98K</td>
<td>$98K - $118K</td>
<td>&gt;$118K</td>
</tr>
</tbody>
</table>

#### IRA DEDUCTIBILITY

**ONE SPOUSE NON-PARTICIPANT**

One Spouse Is An Active QRP Participant
AND
One Spouse Is Not An Active QRP Participant

Non-Participant Spouse Deduction if The Joint MAGI:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FULL</th>
<th>PARTIAL</th>
<th>NONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>&lt;$183K</td>
<td>$183K - $193K</td>
<td>&gt;$193K</td>
</tr>
<tr>
<td>2016</td>
<td>&lt;$184K</td>
<td>$184K - $194K</td>
<td>&gt;$194K</td>
</tr>
</tbody>
</table>
ROTH IRA

- Contributions are always nondeductible
- Participation in a QP has no bearing on eligibility to contribute
- Contribution eligibility - Based on Modified Adjusted Gross income for 2015 and 2016 as follows:

<table>
<thead>
<tr>
<th></th>
<th>FULL</th>
<th>PARTIAL</th>
<th>NONE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2016)&lt;$184K</td>
<td>$184K - $194K</td>
<td>&gt;$194K</td>
</tr>
</tbody>
</table>

Legislative Changes

SEP IRAS (reported as “current year” contributions)
The annual SEP contribution for 2015 and 2016 is the lesser of 0-25% of up to $265,000 in compensation or a maximum annual amount of $53,000 (2015/2016).

SIMPLE IRAs
2015/2016 LIMITS
12,500 of salary deferrals for people under age 50
$15,500 for age 50 and older
Consolidated Appropriations Act

Signed into law on December 18, 2015

- Reinstates Qualified Charitable Distributions permanently
- Allows Certain Rollovers into SIMPLE IRA plans from IRAs and QPs after 2 year participation period in the SIMPLE IRA has been met
- Extends deadline for certain employees/individuals to rollover/recharacterize airline payments
- Expands Early Distribution Penalty Exceptions for public safety employees separating from service after age 50.

Qualified Charitable Distributions

Required Minimum Distributions to Qualified Charities were reinstated permanently beginning December 18, 2015.

The Consolidated Appropriations Act of 2016 that was passed by Congress and signed into law on December 18, 2015 extended the Qualified Charitable Distribution tax exemption permanently.

Any IRA owner or the beneficiary of an Inherited IRA who has attained the age 70.5 and older may take their RMD amount plus more up to $100,000 per year, pay it directly to a qualified charity and have it exempted from income. The proper procedure is as follows:

1. The financial institution makes a cashier’s check payable directly from the IRA to the qualified charity and either mails it or gives it to the accountholder to mail to the charity
2. The financial institution codes it as a “normal” distribution to the accountholder – IRS code “7” - or as a “death” distribution to the beneficiary – IRS code “4” - on the 1099-R in box 7
3. The accountholder will show the distributed amount on line 15a of the 1040 tax form. On line 15b, he/she will put “0” in the taxable amount (if all was contributed to the charity). To the left of 15b the letters “QCD” must be indicated to explain the tax exemption.

NOTE: The IRS code “F” – Charitable Gift Annuity – is NOT to be used for this exemption.
After-Tax Qualified Plan Rollover Funds

QUALIFY THE MONEY!!

When receiving funds from a QP, if the employee benefit statement (402(f) shows any funds have been employee contributions that are: “non-deductible”, “after-tax”, “voluntary employee contributions or VEC”, Thrift Savings Plan (TSP), that after-tax money should always be directly rolled to a Roth – not a Traditional.

Supreme Court Decision regarding legal marriage licenses be issued in all 50 states

This act affects legally married same-sex couples who are IRA accountholders

- As of June 26, 2015, same-sex marriage is now legal is all 50 states
- Same-sex couples legally married enjoy all the same IRA rules and regulations as traditional married couples
- In addition, because these are federal products, the same spousal rules apply as far as spousal disclaimers on Qualified Plans and on IRAs (when disclaimers are required on IRAs).
- Any legally married same-sex spouse who was not previously recognized for spousal beneficiary options and was previously forced to calculate distributions from an Inherited IRA based on Single Life Expectancy, may now transfer the IRA into his/her own name and postpone distributions until age 70.5. We are not sure at this time if existing Inherited IRAs for same-sex marriage beneficiaries will be able to take their existing Inherited IRAs and treat them as their own. Further IRS guidance is needed.
IRA Amendments in 2015? 2016?

- Beginning January 1, 2015 IRA accountholders are only allowed to do one tax free rollover from their total aggregate IRAs in a 12 month period beginning the date the distribution is received.
- The only way money can be moved between IRAs after the first rollover has occurred is IRA to IRA Direct Transfer.
- Because of this major change, it was HIGHLY recommended you notify your accountholders by the end of January to keep them out of tax trouble. These notices can be obtained from your IRA forms vendor and mailed to your Traditional, Roth, SEP and SIMPLE IRA customers with their year end statements.

Sample Rollover Change Notice

IRA ROLLOVER CHANGE RULE EFFECTIVE 2015

Beginning January 1, 2015, an IRA owner will only be allowed one tax-free rollover per taxpayer where money is distributed from any of his/her total IRA plans and re-deposited within 60 days as a rollover within a 12 month period. IRA Rollovers are no longer allowed one per IRA, per IRA plan type or per financial institution. Any distributions taken after the first rollover will be subject to tax and possible penalties, and ineligible for rollover. Trustee to trustee direct transfers should be encouraged when moving IRA funds between institutions. See IRS Notices IR 2014-107, 2014-32 and 2014-15 for more information.

The financial institution will require any IRA accountholder to certify in writing the IRA rollover is occurring within 60 days of receipt of the funds and that no other rollover has occurred from any of his/her existing IRAs in the last 12 month period.

The once-per-12-month rule does not apply to direct or (indirect) rollovers from Qualified Employer plans to IRAs or from conversion from Traditional, SEP or SIMPLE (after 2 years of participation in a SIMPLE) IRA to a Roth IRA.

Please contact ___________________ if you have any questions.
IRA Rollover and Transfer Terminology

IRA to IRA Rollover – Bank A to Customer to Bank B

1. IRA accountholder request check from IRA at Bank A made payable directly to him/her.
2. Customer has 60 days to take this back to the same IRA or another IRA at Bank B.
3. Bank A codes the distribution as “premature” or “normal”. Bank B codes the contribution as “rollover”.
4. No more rollovers can be done for 12 months.

Rollover and Transfer Terminology

IRA to IRA Direct Transfer – Bank A to Bank B

1. IRA accountholder completes a “Transfer Request Form” at Bank B asking Bank A to transfer customer’s IRA money to Bank B.
2. Bank A makes the check payable to “Bank B fbo the customer’s IRA”.
3. Bank A codes the distribution as a “transfer out”. Bank B codes the contribution as “transfer in”.
4. These are unlimited and no IRS reporting occurs on the transaction.
Rollover and Transfer Terminology

Qualified Plan to IRA Direct Rollover –
ABC Company 401k to Bank A

1. Employee instructs plan administrator to make the check payable to “Bank A fbo the customer’s IRA”
2. Check is received by Bank A and deposited directly into an IRA plan.
3. ABC Company codes the distribution as a “direct rollover”. Bank B codes the contribution as “rollover” into the IRA.
4. There is no limit on number of direct (or indirect) rollovers from QPs to IRAs in a 12 month period.

---

Rollover and Transfer Terminology

Qualified Plan to IRA Indirect Rollover –
ABC Company 401k to Employee to Bank A

1. Employee instructs plan administrator to make the check payable to the employee.
2. Company withholds 20% federal income tax
3. Employee take the money to Bank A within 60 days receipt of the check.
4. ABC Company codes the distribution as a “premature” or “normal” distribution. Bank B codes the contribution as “rollover” into the IRA.
5. There is no limit on number of indirect rollovers from QPs to IRAs in a 12 month period.
Rollover and Transfer Terminology

IRA to IRA Transfer? Or Rollover?

- Bank B receives a check or wire from Bank A titled “Bank B fbo the customer’s IRA”.
- Bank B did not initiate the transfer with a Transfer Request Form
- How does Bank B code the contribution – Rollover?? Transfer??
- The distribution coding from Bank A must be verified so Bank B can match

“TRANSFERS OUT” MUST BE CODED AS “TRANSFERS IN”.
“PREMATURE”, “NORMAL”, AND “DIRECT ROLLOVER” FROM QP DISTRIBUTIONS REPORT ON A 1099-R, THEREFORE CONTRIBUTIONS MUST BE CODED AS ROLLOVERS IN BOX 2 OF THE 5498

<table>
<thead>
<tr>
<th>Transfer Out (No 1099-R will be issued)</th>
<th>Premature, Normal, Direct Rollover Out (1099-R will be issued)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer In (Contribution amount appears in FMV of 5498)</td>
<td>Rollover In (Contribution amount appears in box 2 of the 5498 and cancels out the taxability of the 1099-R)</td>
</tr>
<tr>
<td>Never cross over this line.</td>
<td></td>
</tr>
</tbody>
</table>
Important Rules

- **Direct Rollovers MUST have a **Qualified Plan** involved on the distribution, contribution or both sides**

- **Direct Transfers MUST have IRAs involved on both sides.**

---

### 2015 Reporting Deadlines

<table>
<thead>
<tr>
<th>ACTIVITY BEING REPORTED FOR 2015</th>
<th>To Accountholder</th>
<th>To IRS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Form</td>
<td>Due</td>
</tr>
<tr>
<td>IRA Contributions</td>
<td>5498</td>
<td>5/31/15</td>
</tr>
<tr>
<td>Covered EDA Contributions</td>
<td>5498-ESA</td>
<td>5/31/15</td>
</tr>
<tr>
<td>HSA Contributions</td>
<td>5498-SA</td>
<td>5/31/15</td>
</tr>
<tr>
<td>IRA Distributions</td>
<td>1099-RA</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>1099-Q</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>1099-SA</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>Optional Format</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>(or 5407-B)</td>
<td></td>
</tr>
<tr>
<td>RMD Notice</td>
<td>5415</td>
<td>2/1/16</td>
</tr>
<tr>
<td>Fair Market Value – IRA Activity</td>
<td>Optional Format</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>(or 5407-B)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Optional Format</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>(or 5407-ESA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Optional Format</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>(or HSA-ESA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Optional Format</td>
<td>2/1/16</td>
</tr>
<tr>
<td></td>
<td>(or 5407-ESA)</td>
<td></td>
</tr>
</tbody>
</table>

*Deadlines for Paper Filing of Forms is 2/28/16 (Electronic filing required when filing over 250 returns).

See each individual form's section and IRS Publication 1220 for detailed reporting and correction filing instructions.
Sample RMD Notice for 2016

Because you have reached your 70 1/2 Required Distribution Year, we are required by law each January to notify you that you must take a required minimum distribution from your IRA by December 31st.

If you are just turning 70 1/2 this year, you have an extension to meet your first year’s distribution until April 1, 20(17). You will also have to take a 20(17) distribution by December 31, 20(17).

We have calculated your 20(16) distribution amount to be $________ or
If you would like us to calculate your required minimum distribution for this year, please contact us.

We will also be reporting to the IRS on the 5498 form that you are in required distribution.

If you have set up automatic distribution with our bank, we will continue that election unless you contact us in writing to change it. We will also continue the federal tax withholding election you signed unless you revoke it in writing. If you would like us to continue your current payment election, no further action is necessary.

If you do not have a payment election set up with the bank, please contact us as soon as possible and let us know when you would like us to issue your distribution check.

Please feel free to call us if you have any questions at.
1099-R IRS CODES FOR BOX 7

Guide to Distribution Codes

- Page 15-17 1099-R and 5498 Instructions


- In 2015, a new code “K” will be available for distributions of assets where the fair market value is not readily accessible

New IRS Code “K” for Hard-to-Value Assets

<table>
<thead>
<tr>
<th>K – Distribution of IRA assets not having a readily available FMV.</th>
<th>Use Code K to report distributions of IRA assets not having a readily available FMV. These assets may include:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- stock, other ownership interest in a corporation, short or long-term debt obligations, not readily tradeable on an established securities market,</td>
</tr>
<tr>
<td></td>
<td>- ownership interest in a limited liability company (LLC), partnership, trust, or similar entity (unless the interest is traded on an established securities market),</td>
</tr>
<tr>
<td></td>
<td>- real estate,</td>
</tr>
<tr>
<td></td>
<td>- option contracts or similar products not offered for trade on an established option exchange, or</td>
</tr>
<tr>
<td></td>
<td>- other assets that does not have a readily available FMV.</td>
</tr>
</tbody>
</table>

1, 2, 4, 7, 8, or G.
# Roth Distribution Codes

<table>
<thead>
<tr>
<th>Roth Distribution Type</th>
<th>Distribution Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Qualified Distributions</td>
<td></td>
</tr>
<tr>
<td>Retirement - no exclusion for beneficiaries of principal &amp; interest (whether this is your principal residence or not)</td>
<td>J</td>
</tr>
<tr>
<td>Executive - 5 year period has not been met</td>
<td>J</td>
</tr>
<tr>
<td>Disability - 5 year period has not been met</td>
<td>T</td>
</tr>
<tr>
<td>Death - 5 year period has not been met</td>
<td>T</td>
</tr>
<tr>
<td>Minimum age (59 1/2 years) - 5 year period has not been met</td>
<td>T</td>
</tr>
<tr>
<td>Qualified Distributions</td>
<td></td>
</tr>
<tr>
<td>5 year period has been met and distribution is to age 59 1/2 or older, death, payment to beneficiary or legal disability</td>
<td>Q</td>
</tr>
<tr>
<td>Excess Contribution Withdrawal</td>
<td></td>
</tr>
<tr>
<td>Excess Contributions Current Year</td>
<td>E</td>
</tr>
<tr>
<td>Excess Contributions Prior Year</td>
<td>P</td>
</tr>
</tbody>
</table>

## 5498

Form 5498 (corrected if checked)  
IRA Contribution Information

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Account Owner</td>
<td></td>
</tr>
<tr>
<td>Name of Beneficiary</td>
<td></td>
</tr>
<tr>
<td>Federal Tax Identification Number</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>City, state, and zip code</td>
<td></td>
</tr>
<tr>
<td>Account Number</td>
<td></td>
</tr>
<tr>
<td>Corrected Amount</td>
<td></td>
</tr>
<tr>
<td>Form 5498 (keep for your records)</td>
<td></td>
</tr>
</tbody>
</table>

Copyright Sunwest Training Corp 2016
2015 5498 New Requirements

Box 15a. FMV of Certain Specified Assets
Enter the FMV of the investments in the IRA that are specified in the categories identified below.

Box 15b. Code(s)
Enter the code for the type(s) of investments held in the IRA for which the FMV is reported in Box 15a. A maximum of two codes can be entered in Box 15b. If more than two codes apply, enter code H.

- A — Stock or other ownership interest in a corporation that is not readily tradable on an established securities market.
- B — Short or long-term debt obligation that is not traded on an established securities market.
- C — Ownership interest in a limited liability company or similar entity (unless the interest is traded on an established securities market).
- D — Real estate.
- E — Ownership interest in a partnership, trust, or similar entity (unless the interest is traded on an established securities market).
- F — Option contract or similar product that is not offered for trade on an established option exchange.
- G — Other asset that does not have a readily available FMV.
- H — More than two types of assets (listed in A through G) are held in this IRA.

Where to Get More Information

The IRA “Red Book”

To purchase the complete 285 page Sunwest Training IRA Training and Reference Manual (January 2016 revision) for a special Webinar Attendee price of $85 including shipping, email your mailing address and quantity needed to:

patrice@sunwesttraining.com
or call 830-336-3422
Thank you for your participation!

For Webinar information contact:
Wesley Kavelaris
Total Training Solutions
PO Box 310
Waunakee, WI 53597
800-831-0678
www.BankWebinars.com
info@ttsTrain.com

For program content questions contact:
Patrice M Konarik
Sunwest Training Corp.
830-336-3422 or
patrice@sunwesttraining.com

Upcoming Webinars

- January 13th – Understanding CCC Loans for Ag Lenders
- January 14th – Currency Transaction Reporting: Line by Line
- January 14th – BSA / AML and OFAC – New Attention to Program Elements
- January 20th – Business Resolutions and Authorizations: How to Use Them to Protect Your Financial Institution
- January 20th – Addressing Threats of Violence (Prevention, Action & Cautions)
- January 21st – Safe Deposit Box Access When Your Renter Dies
- January 21st – Basic Cash Flow Analysis
- January 26th – Advertising Compliance