

IRA JOB AID – TY 2018 RETURNS – 1/14/2019

CONTRIBUTIONS: can be made through due date of the return without extension: \$5500 max, \$6500 age 50 or older, based on earned income (includes alimony). Traditional – must be under 70 ½ by year end; Roth – no age limit. Can be made for a non-working spouse. Deductible amount for those with higher incomes may be reduced if a participant in a retirement plan. Excess contributions, see 4012 E-9.

Traditional – TS Deductions>Adjustments>IRA Deduction. Deductible amount will appear on Summary/Print 1040 page 1 Line 32. Any remaining amount will appear on IRS Form 8606 Line 1 as a non-deductible contribution. If any, go to TS Form 8606 and fill in first line (total basis from last 8606 filed). 4012 E-9

Roth – TS Deductions>Credits>Retirement Savings Credit Form 8880

MOVING IRA FUNDS:

Trustee to trustee transfer – traditional to traditional or Roth to Roth - non-taxable, no 1099 issued

Direct transfer/rollover – qualified plan to IRA, IRA to qualified plan, qualified plan to qualified plan – 1099-R, Box 7 Code G – 4012 D-42. Also check rollover box, enter rollover amount. 4012 D-38.

Rollover (client received funds, deposited amount into IRA within 60 days, no prior rollover made in same 12 month period) – 1099-R issued, Box 7 Code 1 or 7, input TS 1099-R screen, reduce 2a by rollover amount, check rollover box, enter rollover amount. 4012 D-37

Traditional to traditional (or Roth to Roth) – If not deposited into IRA within 60 days, see 4012 P. D-37. If can't meet any exception there, see traditional IRA (or Roth IRA) distribution info below.

Traditional to Roth: This is a Roth conversion; 1099-R will be issued for direct transfer or rollover and it's taxable*. 1099-R, IRA box checked, Box 7 Code 1, 2, or 7. Also go to TS 8606 and complete the sixth line (Net amount converted...) 4012 D-36

DISTRIBUTIONS – TRADITIONAL IRAS – 1099-R, IRA BOX CHECKED

Early –Box 7 Code 1, taxable*, 10% penalty computed. Use 5329 if meets any exception to 10% penalty. 4012 H-3.1.

Normal (including RMD)–Box 7 Code 7: taxable*, 4012 D-37

Qualified Charitable Distribution (QCD) – Box 7 Code 7. If non-deductible contributions were made, see Pub. 590-B p. 13 for instructions. If no non-deductible contributions, on TS 1099-R reduce Box 2a amount by amount of QCD, go to Nontaxable Distribution page, check QCD box. 4012 D-37

Failure to take RMD – use 5329 Part IX to request waiver of 50% penalty. Take missed distribution and current distribution in current year. 4012 H-3.2

* Ask client if non-deductible contributions were ever made to ANY traditional IRA account:

If no, distributions are fully taxable.

If yes, distributions are partially taxable. Use 8606 to determine taxable amount. Get basis from last 8606 filed. Need end of year balances of all traditional IRAs. 4012 D-31.

DISTRIBUTIONS – ROTH IRAS – 1099-R, IRA BOX NOT CHECKED

Box 7 Code Q – non-taxable, TS 1099-R change 2a to zero. 4012 D-42

Codes J and T - See info on 4012 D-36; if traditional to Roth conversion or employer plan to Roth rollover in past 5 years, return is out of scope. The 5 year period for conversions/employer plan rollovers starts with January 1 of the year of conversion/rollover. 2016 Pub. 590-B p. 30

Example: For a traditional to Roth conversion made August 1, 2015 the 5 year period began on January 1, 2015.

Box 7 Code J (recipient under 59 ½) – no conversions within past 5 years – must determine if in scope or not – see 4012 D-36. Has it been 5 years from the beginning of the year for which client first set up and contributed to a Roth IRA? If no, it's out of scope.

Example: For a contribution made April 1, 2014 for the 2013 tax year the 5 year period began on January 1, 2013.

If meets 5 year rule and in scope because recipient is over 59 ½, or because of disability or death, change TS 1099-R box 2a to zero. No penalty will be calculated; indicate reason for non-taxability on I&I form. 4012 D-42

Box 7 Code T (recipient over 59 ½) – no conversions within past 5 years - must determine if in scope or not – see 4012 D-40. If doesn't meet the 5 year rule stated above, it's out of scope. If in scope, change TS 1099-R box 2a to zero. Indicate reason for non-taxability on I&I form. 4012 D-36

OTHER IRA INFORMATION

IRA Financial Advisor fees (traditional IRA only) – **Not deductible TY 2018 and future years** - If paid from funds outside the IRA account, deductible as Schedule A miscellaneous deduction, subject to 2% limit. If deducted from within the IRA, not deductible. 2016 Pub. 529, p.11. No deduction for financial advisor fees paid for Roth IRAs.

Loss on IRA – Rules below apply to TY 2017 and prior. **Not deductible TY 2018 and future years.**

Traditional IRAs – If all amounts in all traditional IRAs have been distributed, and the total distributions are less than the basis, a loss can be taken on Schedule A as a miscellaneous deduction, subject to the 2% of AGI limitation. The basis is the amount of non-deductible contributions. 2016 Pub. 590-B, p. 19.

Roth IRAs – If all amounts in all Roth IRAs have been distributed, and the total distributions are less than the contributions, a loss can be recognized. Schedule A miscellaneous deduction, subject to 2% of AGI limitation. 2016 Pub. 590-B, p. 36.

Form 5498 – has helpful information such as IRA contributions made during the year and Required Minimum Distribution information for the next year.

All 4012 references are to Dec. 2018 NTTC edition.

Send suggestions/corrections to Carol Myers – FL2TRS@aol.com.

