FRANZEN & FRANZEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

August 21, 2014 – One-Rollover-Per-Year Limitation on IRA

Under current tax law, an individual is allowed a tax-free rollover of an IRA provided the funds distributed to the individual are rolled over into another IRA for the individual's benefit within 60 days, subject to the one-rollover-per-year limit. The IRS has also allowed an individual with more than one IRA to treat each IRA separately, thereby allowing more than one tax-free rollover per taxpayer when properly executed. That is about to change.

A recent Tax-Court opinion (Bobrow v. Commissioner) has held that an individual cannot make a non-taxable rollover from one IRA to another if he has already made a rollover from any IRA in the preceding 1-year period. In response to this decision, the IRS has also changed its position. The once-per-year limit will soon apply on an aggregate basis, meaning that an individual will not be permitted to make an IRA-to-IRA rollover if the individual has made such a rollover involving any of the individual's IRAs in the preceding 1-year period. Implementation of this revised definition of IRA rollover limitations is scheduled to commence January 1, 2015.

Please keep in mind, this limitation does not apply to IRA transfers directly from one trustee (or custodian) to another, because transfers are not rollovers and thus are not subject to the one-rollover-per-year limit.

If you would like more information on this impending change to IRA rollover limitations, please feel free to contact our office.

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