MEMO# 28528

November 20, 2014

# IRS Issues Additional Guidance and Transition Relief Regarding One-Per-Year Limit on IRA Rollovers

[28528]

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TO: PENSION MEMBERS No. 45-14
BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 48-14
BROKER/DEALER ADVISORY COMMITTEE No. 54-14
TRANSFER AGENT ADVISORY COMMITTEE No. 73-14
OPERATIONS MEMBERS No. 20-14 RE: IRS ISSUES ADDITIONAL GUIDANCE AND TRANSITION RELIEF REGARDING ONE-PER-YEAR LIMIT ON IRA ROLLOVERS

On November 10, 2014, the Internal Revenue Service (IRS) issued Announcement 2014-32 [1] which clarifies the impact a 2014 Individual Retirement Account or Individual Retirement Annuity (collectively, IRAs) rollover has on the one-rollover-per-year limitation contained in § 408(d)(3)(B) of the Internal Revenue Code (IRC). You may recall that in March 2014, IRS issued Announcement 2014-15 [2] in response to Bobrow v. Commissioner, a January 2014 Tax Court opinion which held that the one-rollover-per-year limitation applies on an aggregated basis to all of a taxpayer's IRAs and not to each IRA separately. [3] In Announcement 2014-15, IRS stated that it anticipated following the Bobrow interpretation of § 408(d)(3)(B) and would not apply the Bobrow interpretation to any rollover that involves an IRA distribution occurring before January 1, 2015.

## Transition Relief

Announcement 2014-32 clarifies that IRS will apply the Bobrow interpretation of the one-rollover-per-year limit for distributions that occur on or after January 1, 2015. Additionally, the Announcement provides that a distribution from an IRA received during 2014 and properly rolled over to another IRA will have no impact on any distributions and rollovers during 2015 involving any other IRA's owned by the same individual, provided that the 2015 distribution is from a different IRA that neither made nor received the 2014 distribution. According to IRS, this provides taxpayers a "fresh start" in 2015 when applying the one-rollover-per-year limit to multiple IRAs.

## Aggregation of Traditional and Roth IRAs

Announcement 2014-32 states that a rollover between an individual's Roth IRAs would preclude a separate rollover within the 1-year period between the individual's traditional IRAs (and vice-versa), thereby confirming that the one-rollover-per-year limitation applies in the aggregate to all of a taxpayer's IRAs – both traditional and Roth. IRS confirms, however that a rollover from a traditional IRA to a Roth IRA (a conversion) is not subject to the one-rollover-per-year limit and such a rollover is disregarded in applying the one-rollover-per-year limitation to other rollovers. Further, the Announcement clarifies that for its purposes, the term "traditional IRA" includes a simplified employee pension described in IRC § 408(k) and a SIMPLE IRA described in IRC § 408(p).

## Publication 590 Revision

As we have previously reported, the Bobrow interpretation is inconsistent with current IRS Publication 590, Individual Retirement Arrangements (IRAs), which provides that the one-rollover-per-year limitation is applied on an IRA-by-IRA basis. [4] In Announcement 2014-32, IRS states that subsequent relevant IRS publications, including a new Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), will reflect the Bobrow interpretation of § 408(d)(3)(B).

Howard Bard
Associate Counsel

**endnotes**

[1] A copy of Announcement 2014-32 is available here: http://www.irs.gov/pub/irs-drop/a-14-32.pdf. The IRS News Release accompanying Announcement 2014-32 is available here: http://www.irs.gov/uac/Newsroom/IRS-Clarifies-Application-of-One-Per-Year-Limit-on-IRA-Rollovers-Allows-Owners-of-Multiple-IRAs-a-Fresh-Start-in-2015.

[2] A copy of Announcement 2014-15 is available here: http://www.irs.gov/pub/irs-drop/a-14-15.pdf. For the Institute's summary of Announcement 2014-15, see Memorandum to Pension Members No. 11-14, Bank, Trust and Retirement Advisory Committee No. 12-14, Broker/Dealer Advisory Committee No. 13-14, Transfer Agent Advisory Committee No. 15-14, Operations Committee No. 12-14 [27968], dated March 21, 2014.

[3] See Memorandum to Pension Members No. 4-14, Bank, Trust and Retirement Advisory Committee No. 8-14, Broker/Dealer Advisory Committee No. 8-14, Transfer Agent Advisory Committee No. 9-14, Operations Committee No. 7-14 [27894], dated February 18, 2014.

[4] As we have previously reported, the Bobrow interpretation of § 408(d)(3) is also inconsistent with a proposed amendment to regulation § 1.408-4(b)(4)(ii), which would provide that the limitation is applied on an IRA-by-IRA basis. On July 11, 2014, IRS published a notice in the Federal Register withdrawing the part of the proposed amendment that would have applied the limitation on an IRA-by-IRA basis. See Memorandum to Pension Members No. 31-14, Bank, Trust and Retirement Advisory Committee No. 32-14, Broker/Dealer Advisory Committee No. 36-14, Transfer Agent Advisory Committee No. 45-14, Operations Members No. 8-14 [28261], dated July 11, 2014.