

The IRA Authority

IRA & Employer Plan Rules, News, and Tips In Plain Language

IRA Calendar

January 31

January 31 is the deadline by which IRA custodians and plan trustees must provide certain retirement account statements to your clients. These include the following:

IRS Form 1099-R

Form 1099-R is used to report distributions that occur from IRAs and employer plans during the previous year. For instance, the 1099-R that must be issued by January 31, 2011 should include distributions that occurred during the 2010 calendar year. Form 1099-R is also issued to the IRS, so that they can compare the information with that which is reported on your clients tax returns.

If the information reported on a Form 1099-R is incorrect, the issuer should be contacted immediately, so that they can make any required corrections.

Form 1099-R is not required to be filed with your client's tax return unless it shows amounts being withheld for income tax. However, it should be provided to tax return preparers, as it may contain other information which is required to be reported on clients tax returns.

Fair Market Value Statement

The fair market value (FMV) statement is issued for IRAs and shows the value of the IRA as of December 31 of the previous year. The FMV is used in the computation of required minimum distribution (RMD) amounts, which

is required to be computed for traditional IRA (including SEP IRA and SIMPLE IRA) owners who are at least age 70½ during the year, and certain owners of inherited traditional and Roth IRAs.

RMD statement

The RMD statement must be issued to owners of traditional (including SEP and SIMPLE) IRAs who are at least age 70½ during the year. These must be issued by the IRA custodian that held the IRA as of December 31 of the previous year, and must include either the calculated RMD amount, or an offer to calculate the amount upon request from the IRA owner. This statement is not required to be issued for inherited and Roth IRAs.

April 1 (Extended to April 15)
RMD Deadline for 2010 age 70½ year
Individuals who reached age 70½ during 2010 are required to take an RMD for 2010. However, consistent with RMD regulations, individuals are allowed to defer their RMD for the year they reach age 70½, until April 1 of the next year. As such, your clients who reached age 70½ in 2010 have until April 1, 2011 to take their 2010 RMD. Failure to take the RMD by this deadline will result in the client owing the IRS an excess accumulation penalty of 50% of the RMD amount not taken by this deadline.

April 15 (Extended to April 18)

IRA Contribution

Your clients who want to make IRA contributions for 2010 must do so by April 18, 2011. The deadline is usually April 15, but was extended this year, because emancipation day, which falls on Saturday April 16, is being celebrated on Friday April 15. As such, the IRA contribution deadline has been extended until the next business day

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Roth Conversions May Still Make Sense

(If They Did in 2010)

If you determined that a Roth conversion made good financial and tax sense for your client in 2010, then that may still apply even if the client did not complete the Roth conversion in 2010. In fact, your client may now have more flexibility with doing the conversion.

Why 2010 Was Special

2010 was considered to be a special year for Roth conversions because of two primary reasons:

1. The \$100,000 modified adjusted gross income (MAGI) limit and the married-filing-separately restriction, which cause some individuals to be ineligible for Roth conversions, were repealed as of January 1, 2010. This opened the door to Roth conversions for individuals who were ineligible in 2009 and earlier years; and