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## IRA Financial Group **Newsletter**

### April 2014

#### **Self-Directed IRA LLC Tax Filing Deadline April 15**

For clients with a self-directed IRA LLC that is owned by more than one IRA, a Partnership Tax Return (IRS Form 1065) is required to be filed. In addition, most states will also require the multiple-member LLC to file a state partnership tax return. Note – a self-directed IRA LLC owned by just one IRA is treated as a disregarded entity for Federal Income Tax purposes and no Federal Income Tax return is required to be filed. Please contact your accountant for more information on how this may impact your tax return filing.

#### **Deadline for Making IRA Contributions for 2013 Fast Approaching**

The deadline for making Traditional IRA, Roth IRA, or SEP IRA contributions for 2013 is April 15, 2014.

The maximum contribution allowable for Traditional and Roth IRAs for the 2013 taxable year is \$5,500 and \$6,500 for



#### **New Tax Court Case Sheds Light on IRA Rollover Rules**

In *Bobrow Vs. Commissioner*, TC Memo, 2014-21, the U.S. Tax Court held that the ability to do an IRA indirect rollover once every 12 months applies to all of the IRA holder's IRAs in the aggregate and not to each individual IRA.

In general, one can transfer IRA funds between IRA custodians as many times in a year as wanted without triggering a tax or penalty. This process is referred to as an IRA transfer. In contrast, one is only permitted to take possession of the IRA funds for a 60-day period through an indirect rollover once every 12 months. In the *Bobrow* case, tax attorney Alvan Bobrow took \$65,000 out of his traditional IRA account, intending to replace that money within 60 days, as the tax law states, in order to have the transaction treated as an IRA rollover rather than a taxable distribution.

The problem, though, is that right before Bobrow repaid the \$65,000 to his traditional IRA account, he took \$65,000 out of a different IRA account. Then, just before the 60-day period for *that* withdrawal expired, Bobrow's wife took \$65,000 out of her traditional IRA, with a \$65,000 repayment to Bobrow's second IRA account taking place just days later. Eventually, the Bobrows' repaid the wife's IRA withdrawal and took the position that all of the transactions were tax-free IRA rollovers. The IRS disagreed, arguing in part that the nested withdrawals and repayments didn't line up the way the Bobrows' contended.

individuals over the age of 50. With respect to a SEP IRA, the maximum allowable contribution for the 2013 taxable year is \$51,000.

### **Do I have to File a Tax Return for My Solo 401(k) Plan?**

A Solo 401(k) Plan is not a taxable entity, thus, a Solo 401(k) Plan is not required to file an annual Federal Income Tax return. However, if your Solo 401(k) Plan contains assets with a fair market value greater than \$250,000, an IRS Form 5500-EZ is required to be filed. For Solo 401(k) Plans that were established in 2013, the IRS Form 5500-EZ is due by July 31, 2014.

Note – if you made contributions to your Solo 401(k) Plan or took a distribution from the Plan, you will need to report those items on your Individual Income Tax return (IRS Form 1040). Please contact your accountant for more information on how this may impact your tax return filing.

For more information, please visit our website at:

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Note - Mr. Bobrow could have completed the transfer of funds without doing an indirect rollover, by simply doing an IRA transfer between institutions, which has no annual limitation on the number of IRA transfers that can be done in a year.

The Tax Court held that in *all* instances taxpayers are limited to one tax-free IRA rollover per 12-month period. That broader finding conflicted with the IRS' own guidance in its publication 590 on IRAs, which concerns situations in which completely unrelated transactions using multiple IRAs *could* all qualify for tax-free IRA rollover treatment.

The fact that IRS Publication 590 had an example of an indirect rollover that seems to run in contrast to its position was always surprising and even more surprising was that it was never corrected by the IRS. However, tax professionals in the retirement industry as well as the IRS were generally all in agreement that the IRA indirect rollovers rules were applied to all IRAs in the aggregate in a 12 month period and not to each IRA individually. It was always understood that applying the indirect IRA rollover rules to each individual IRA would create too much room for abuse by IRA holders looking to use multiple IRA accounts as a lending platform, as well as be very difficult to administer from an IRA custodian perspective.

### **Attention Business Acquisition Solution Clients – Annual Plan Recordkeeping Services**

IRA Financial Group Introduces Special Rollover Business Start-Up Strategy Third-Party Recordkeeping Services for Small Businesses. Third-party recordkeeping services will help Business Acquisition Clients administer their 401(k) Plan.



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## Questions?

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