



Banking Compliance

A compliance health check on your SIMPLE IRA documents

SIMPLE IRA UPDATES

(Custodial—includes Self-Direction & Trust)

This document provides a summary of compliance changes to Wolters Kluwer SIMPLE IRA documents.

Summary of Significant IRA Change From 2002-2010

In 2010, the IRS released Revenue Procedure 2010-48 in which it identified 17 statutory changes relating to the qualification of IRAs that became effective after the last mandatory amendments were announced in 2002.

Many of those changes are still very relevant today including changes under:

1. The Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA");
2. Section 2 of the Heroes Earned Retirement Opportunities Act ("HERO Act");
3. The Pension Protection Act of 2006 ("PPA"); and
4. The Heroes Earnings Assistance and Relief Act of 2008 ("HEART Act")

Note that the IRS listed five separate changes under the PPA, four of which still have significant relevance. Similarly, the IRS listed three separate changes under the HEART ACT and all of those changes remain relevant today.

Detailed changes from 2011 to today

2011

SIMPLE IRA Disclosure Statement

- Removed the conversion eligibility requirements under *SIMPLE IRA* to *Roth IRA* Conversions since they are no longer applicable after 12/31/2009.
- Removed information under *Tax-Free Distributions to Charities* pertaining to the 12/31/2009 deadline.
- Removed the 2009 *RMDs Waived for IRA Owners* section since it no longer applicable.
- Removed the 2009 *RMDs Waived for Beneficiaries* section since it is no longer applicable.

2014

IRS Form 5305-SA, *SIMPLE Individual Retirement Custodial Account* and IRS Form 5305-S, *SIMPLE Individual Retirement Trust Account*:

- Article VII, 8.12 - Investment of SIMPLE IRA Assets.
(e) Qualifying Longevity Annuity Contract (QLAC). This section is new.

SIMPLE IRA Disclosure Statement

- Updated the *SIMPLE IRA-to-SIMPLE IRA Rollovers* section to provide that an IRA owner is limited to one rollover for all of his/her IRAs per 1-year (12-month) period (that is, only one nontaxable IRA-to-IRA rollover per taxpayer in a year – not one rollover for each IRA per year).
- Added information for a qualifying longevity annuity contract (QLAC).

2016

SIMPLE IRA Disclosure Statement

The following changes were made due to the Protecting Americans from Tax Hikes (PATH) Act of 2015:

- Under the *Moving Assets To and From SIMPLE IRAs* section, 7. *No Rollovers from Employer-Sponsored Eligible Retirement Plans* has been replaced with Rollovers to SIMPLE Retirement Accounts. SIMPLE IRAs are now allowed to accept rollovers from other types of IRAs and from employer-sponsored retirement plans after the two-year period of participation in the SIMPLE.
- Under the *SIMPLE IRA Distributions* section, 3. *Qualified Charitable Distributions* is new. The Qualified Charitable Distribution rule allowing an IRA owner or beneficiary age 70½ or older to have up to \$100,000 per year distributed directly to a charitable organization is now permanent.

2017

The IRS updated Forms 5305-S, *SIMPLE Individual Retirement Trust Account* and 5305-SA, *SIMPLE Individual Retirement Custodial Account* as follows:

- **Article I.** Added language clarifying when transfers and rollovers from an eligible retirement plan can be accepted into a SIMPLE IRA.
- **Article VIII.** Added statement that the IRS has reviewed and approved Articles I through VII.
- **General Instructions.** Updated to reflect the changes above, remove the identifying number instruction, and list IRS Pub. 590-A and Pub. 590-B as additional sources of information.

Traditional IRA Disclosure Statement

- Added statements that the IRS has reviewed and approved Articles I through VII but not Article VIII of the 5305-S or 5305-SA, as appropriate.
- Updated the Disaster Tax Relief section to summarize the requirements of the Disaster Tax Relief and Airport and Airway Extension Act of 2017.

2018 (January; Tax Cuts and Jobs Act)

Form 5305-SA and 5305-S

- Amended section 8.05, *Our Fees and Expenses*, to remove the sentence stating that separately billed fees may be claimed as miscellaneous itemized deductions.
- Amended section 8.14 to remove “recharacterizations” from the list of accepted contribution types.

SIMPLE IRA Disclosure Statement

- Amended the *Right to Revoke Your SIMPLE IRA* section to remove the exception to revoke for recharacterization.
- In the *SIMPLE IRA Restrictions and Approval* section, amend the *Cash Contributions* subsection to remove “recharacterizations” from the list of accepted in-kind contributions.
- In the *Movement of Assets Between SIMPLE and Roth IRAs* section, removed the subsections titled *SIMPLE IRA and Roth IRA Recharacterizations* and *SIMPLE IRA to Roth IRA Reconversions*.
- In the *Moving Assets to and from SIMPLE IRAs* section, amended the *Rollover to SIMPLE IRAs* subsection to remove the beginning effective date for being able to start making rollovers to a SIMPLE IRA from sources other than a SIMPLE IRA.

Financial Disclosure

- Removed “recharacterized conversion” from the list of one-time contributions in the first (untitled) section of the Financial Disclosure.
- Removed “recharacterized conversion” from the list of one-time contributions in the How to use the tables subsection, under the *PROJECTION METHODS* section.

2018 (October)

Form 5305-S and 5305-SA

- Amended section 8.12(e), *Qualifying Longevity Annuity Contract (QLAC)*; updated to the current dollar amount.

SIMPLE IRA Disclosure Statement

- Amended the *Waiver of the 60-Day Period* subsection under the *Moving Assets To and From SIMPLE IRAs* section by adding language explaining the self-certification procedure to claim eligibility for waiving the 60-day rollover period.
- Amended the *Qualifying Longevity Annuity Contract (QLAC)* subsection in the *RMDs For You* section; updated to the current dollar amount.
- Amended the *Disaster Tax Relief* section to add reference to IRS Publication 976, *Disaster Relief*, and make other minor clarifications.

2019

Forms 5305-S and 5305-SA

- Amended section 8.12(e), *Qualifying Longevity Annuity Contract (QLAC)*; updated to the current dollar amount.

SIMPLE IRA Disclosure Statement

- Amended the *Qualifying Longevity Annuity Contract (QLAC)* subsection in the *RMDs For You* section; updated to the current dollar amount.

2020 (SECURE Act updates)

SIMPLE IRA Disclosure Statement

- Amended the State Law subsection in the SIMPLE IRA Restrictions and Approval section; updated the list of state laws that may affect an IRA
- Amended a number of subsections in the Moving Assets To and From SIMPLE IRAs section
 - Amended the Waiver of the 60-Day Period subsection by changing “waive” to “extend” and “waiver” to “extension” throughout the subsection, including in the subsection heading. Amended text to reflect the concept of a late rollover.
 - Renamed the Qualified Reservist Contributions subsection as Repayment of a Qualified Reservist Distribution
 - Added a subsection titled Repayment of a Qualified Birth or Adoption Distribution to address new rules and permit such a repayment
- Amended the After Age 70½ subsection in the RMDs For You section; changed age 70½ to age 72 throughout the subsection, including in the subsection heading. Added a sentence explaining the age requirement to begin taking RMDs was previously age 70½.
- Amended the section RMDs For Your Beneficiaries; the entire section has been revised to address new rules for beneficiaries of an IRA owner who dies in the year 2020 or later.
- Amended the Early-Distribution Penalty Tax subsection in the Federal Tax Penalties and IRS Form 5329 section; added “qualified birth or adoption distributions” to the list of early distribution 10-percent penalty tax exceptions.
- Renamed Disaster Tax Relief section as Disaster Tax Relief and Repayment of a Qualified Disaster Distribution; removed the sentence saying disaster distributions may be subject to a lifetime aggregate; removed reference to IRS Publication 976; and updated the URL where disaster relief information can be found on the IRS website.

2021 (2022 COLA and IRS Publication 590-B Guidance Updates)

Form 5305-S and Form 5305-SA

- Amended section 8.12(e), *Qualifying Longevity Annuity Contract (QLAC)*; updated the dollar limitation on premiums paid with respect to QLACs.

SIMPLE IRA Disclosure Statement

- Amended two subsections of the *RMDs For You* section:
 - Removed obsolete information about the first RMD deadline for tax years 2019 and earlier from the *After Age 72* subsection.
 - Amended the *Qualifying Longevity Annuity Contract (QLAC)* subsection; updated the dollar limitation on premiums paid with respect to QLACs.
- Amended several parts of the *Eligible Designated Beneficiary* subsection of the *RMDs For Your Beneficiaries* section:
 - Amended part 3.a., *Spouse Beneficiary*, to address IRA options and clarify the ten-year rule for surviving spouse beneficiaries.
 - Amended part 3.b., *Eligible Designated Beneficiary Who is Your Minor Child*, to address new IRA rule for eligible designated beneficiaries who are surviving minor children of the SIMPLE IRA account owner, that they must remove all assets from the SIMPLE IRA by the tenth anniversary of the date they attain the age of majority.
 - Amended part 3.c., *Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child)*, to address IRA options and clarify the ten-year rule for eligible designated beneficiaries who are not a surviving spouse or a minor child of the IRA account owner; added the requirement that qualifying trusts choosing the single life expectancy option must use the age of the oldest trust beneficiary when calculating the RMD.

