

Banking Compliance

A compliance health check on your Traditional IRA documents

TRADITIONAL IRA UPDATES (Custodial, Self-Directed & Trust)

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

Summary of Significant IRA Changes 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

Traditional IRA Disclosure Statement

- Removed the paragraph under *Catch-Up Contributions* that discussed additional IRA contributions of up to \$3,000 per year for individuals participating in a 401(k) plan of a bankrupt employer since it is no longer applicable.
- Added the 2011 annual cost-of-living adjustment (COLA) limits.
- Removed the conversion eligibility requirements under *Traditional IRA to Roth IRA Conversions* since they are no longer applicable after 12/31/2009.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- Removed the *2009 RMDs Waived for IRA Owners* section since it is no longer applicable.
- Removed the *2009 RMDs Waived for Beneficiaries* section since it is no longer applicable.

2012

Traditional IRA Disclosure Statement

- Added the 2012 and 2013 annual cost-of-living adjustment (COLA) limits.
- Added the *Rollovers Due to Airline Carrier Bankruptcy* section.

2013

Traditional IRA Disclosure Statement

- Added the 2014 annual cost-of-living adjustment (COLA) limits.
- Provided clarification under the *Rollovers Due to Airline Carrier Bankruptcy* section that up to 90 percent of the airline payment amount may be rolled over to a traditional IRA.

2014

Traditional IRA Disclosure Statement

- Added the following sentence to the *Beneficiary Designation* section under *IRA Restrictions and Approval*: If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your IRA assets will be paid to your estate.
- Added the 2015 annual cost-of-living adjustment (COLA) limits.
- Updated the *IRA-to-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).

2015

Traditional IRA Disclosure Statement

- Added the 2016 annual cost-of-living adjustment (COLA) limits.

2016

Traditional IRA Disclosure Statement

- Added the 2017 annual cost-of-living adjustment (COLA) limits.
- The following changes were made due to the Protecting Americans from Tax Hikes (PATH) Act of 2015:
 - Added 4. *Rollovers to SIMPLE IRAs* under the *Moving Assets To and From IRAs* section and renumbered the following sections accordingly. Savings Incentive Match Plan for Employees of Small Employers (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 *IRA Distributions* section, updated 5. *Tax-Free Distributions to Charities to Qualified Charitable Distributions* along with the corresponding text. 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, *Traditional Individual Retirement Trust Account* and 5305-A, *Traditional Individual Retirement Custodial Account* as follows:

- **Article I.** Updated contribution limits to 2017 amounts.
- **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 the 2018 annual cost-of-living adjustment (COLA) limits.
- Added statements that the IRS has reviewed and approved Articles I through VII but not Article VIII of the 5305 or 5305-A, 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 and 5305-A

- Amended section 8.04, *Our Fees and Expenses*, to remove the sentence stating that separately billed fees may be claimed as miscellaneous itemized deductions.

Traditional IRA Disclosure Statement

- Made several changes under the *Movement of Assets Between Traditional and Roth IRAs* section:
 - Amended the *Traditional IRA and Roth IRA Recharacterizations* subsection to remove reference to cancelling a conversion from a traditional IRA to a Roth IRA through recharacterization;
 - Removed the reference regarding rollovers and direct rollovers from eligible retirement plans to Roth IRAs, and recharacterization of the same; and
 - Removed the *Traditional IRA to Roth IRA Reconversions* subsection.
- Added language to the *Indirect Rollover and Withholding* subsection within the *Rollovers from Employer-Sponsored Eligible Retirement Plans* section to address the extended deadline to roll over plan loan offset amounts.
- Amended the *Compensation for Eligibility* subsection, under the *IRA Eligibility and Contributions* section, to remove reference to including taxable alimony, or separate maintenance payments received under a divorce decree or other separate agreement, in compensation.
- Amended the *Contribution Deadline* subsection, under the *IRA Eligibility and Contributions* section, so that it now references service in a hazardous duty area as an example of when the contribution deadline may be extended.

Financial Disclosure

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

2018 (October)

Form 5305-A (for custodial accounts)

- Amended section 8.11(b), *Investment of Contributions*, to better align it with section 8.11(a) by clarifying that contributions to these custodial IRA accounts are limited to deposit investments.

Form 5305 (for trust accounts)

- Amended section 8.11(e), *Qualifying Longevity Annuity Contract (QLAC)*; updated to the current dollar amount.

Traditional IRA Disclosure Statement

- Added the 2019 annual cost-of-living adjustment (COLA) limits.
- Made several changes under the *Moving Assets To and From IRAs* section:
 - Amended the *Indirect Rollover and Withholding* subsection to address the return of an improper tax levy;
 - Amended the *Waiver of the 60-Day Period* subsection by adding language explaining the self-certification procedure to claim eligibility for waiving the 60-day rollover period; and
 - Removed the *Qualified Settlement Income* and the *Rollovers Due to Airline Carrier Bankruptcy* subsections as they are no longer relevant.
- Amended the *Disaster Tax Relief* section to add reference to IRS Publication 976, *Disaster Relief*, and make other minor clarifications.
- (Trust version only) Amended the *Qualifying Longevity Annuity Contract (QLAC)* subsection in the *RMDs For You* section; updated to the current dollar amount.

2019

Form 5305 (for trust accounts)

- Amended section 8.11(e), *Qualifying Longevity Annuity Contract (QLAC)*; updated to the current dollar amount.

Form 5305-A (for self-directed accounts)

- Amended section 8.11(f), *Qualifying Longevity Annuity Contract (QLAC)*; updated to the current dollar amount.

Traditional IRA Disclosure Statement

- Added the 2020 annual cost-of-living adjustment (COLA) limits.
- (Trust and self-directed versions only) Amended the *Qualifying Longevity Annuity Contract (QLAC)* subsection in the *RMDs For You* section; updated to the current dollar amount.

2020 (SECURE Act and 2021 COLA updates)

Traditional IRA Disclosure Statement

- Amended the State Law subsection in the IRA Restrictions and Approval section; updated the list of state laws that may affect an IRA.
- Amended a number of subsections in the IRA Eligibility and Contributions section
 - Amended the Regular or Annual IRA Contributions subsection; clarified that a direct tax refund contribution is subject to the standard annual contribution limits; removed the requirement to be younger than age 70½ to make IRA regular or annual contributions; and added language expressly authorizing regular or annual contributions after age 70½.
 - Amended the subsection Compensation for Eligibility; removed the requirement to be younger than age 70½ to make IRA regular or annual contributions.
 - Updated the Maximum Contributions Limits subsection to reflect the current years' limits.
 - Amended the Contribution Deadline subsection; updated text to reflect the concept of postponed contributions
- Amended the Deduction Limits subsection in the Tax Deductions section; updated to reflect the current years' limits.
- Amended a number of subsections in the Moving Assets To and From IRAs section
 - Amended the Rollovers from Employer-Sponsored Eligible Retirement Plans subsection; changed "certain plan loan offsets" to "qualified plan loan offsets."
 - 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 Qualified Charitable Distributions subsection in the IRA Distributions section; added text related to Qualified Charitable Distributions and tracking deductible contributions after age 70½.
- Amended the RMDs After Age 70½ subsection in the RMDs For You section; updated 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 (for trust accounts)

- Amended section 8.11(e), Qualifying Longevity Annuity Contract (QLAC); updated the dollar limitation on premiums paid with respect to QLACs.
- Form 5305-A (for self-directed accounts)
- Amended section 8.11(f), Qualifying Longevity Annuity Contract (QLAC); updated the dollar limitation on premiums paid with respect to QLACs.
- Traditional IRA Disclosure Statement
- Amended the IRA Eligibility and Contributions section; updated the Maximum Contribution Limits subsection to reflect the current year's limits.
- Amended the Tax Deductions section; updated the Deduction Limits subsection to add the 2022 cost-of-living adjustment (COLA) limits.
- 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.
 - (Trust and Self-Directed versions only) 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 IRA account owner, that they must remove all assets from the 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.

