IR-2016-113: New Procedure Helps People Making IRA and Retirement Plan Rollovers

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New Procedure Helps People Making IRA and Retirement Plan Rollovers

WASHINGTON — The Internal Revenue Service today provided a self-certification procedure designed to help recipients of retirement plan distributions who inadvertently miss the 60-day time limit for properly rolling these amounts into another retirement plan or individual retirement arrangement (IRA).

In Revenue Procedure 2016-47, posted today on IRS.gov, the IRS explained how eligible taxpayers, encountering a variety of mitigating circumstances, can qualify for a waiver of the 60-day time limit and avoid possible early distribution taxes. In addition, the revenue procedure includes a sample self-certification letter that a taxpayer can use to notify the administrator or trustee of the retirement plan or IRA receiving the rollover that they qualify for the waiver.

Normally, an eligible distribution from an IRA or workplace retirement plan can only qualify for tax-free rollover treatment if it is contributed to another IRA or workplace plan by the 60th day after it was received. In most cases, taxpayers who fail to meet the time limit could only obtain a waiver by requesting a private letter ruling from the IRS.

A taxpayer who missed the time limit will now ordinarily qualify for a waiver if one or more of 11 circumstances, listed in the revenue procedure, apply to them. They include a distribution check that was misplaced and never cashed, the taxpayer's home was severely damaged, a family member died, the taxpayer or a family member was seriously ill, the taxpayer was incarcerated or restrictions were imposed by a foreign country.

Ordinarily, the IRS and plan administrators and trustees will honor a taxpayer's truthful self-certification that they qualify for a waiver under these circumstances. Moreover, even if a taxpayer does not self-certify, the IRS now has the authority to grant a waiver during a subsequent examination. Other requirements, along with a copy of a sample self-certification letter, can be found in the revenue procedure.

The IRS encourages eligible taxpayers wishing to transfer retirement plan or IRA distributions to another retirement plan or IRA to consider requesting that the administrator or trustee make a direct trustee-to-trustee transfer, rather than doing a rollover. Doing so can avoid some of the delays and restrictions that often arise during the rollover process. For more information about rollovers and transfers, check out the Can You Move Retirement Plan Assets? section in Publication 590-A or the Rollovers of Retirement Plan and IRA Distributions page on IRS.gov.

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