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IRA Rollovers Get New IRS Rules for 2015

By Karen Damato



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Earlier this year, a U.S. Tax Court decision [rewrote the rules on rollovers between individual retirement accounts](#).

Now, the Internal Revenue Service has clarified, in guidance issued Monday, exactly how and when a new once-per-year limit on these transactions will be applied.

In a rollover, an IRA holder withdraws money from a traditional IRA or a Roth IRA and redeposits the dollars into the same type of IRA within 60 days. During that period, the taxpayer can use the money without owing tax or penalties.

In years past, the IRS's own publications said taxpayers could do one such rollover per IRA every 12 months. The Tax Court, however, said a taxpayer could do only one rollover each 12 months, no matter how many IRAs he or she had. The IRS subsequently said the tightened rules wouldn't apply before 2015, but didn't immediately address all the questions that came up.

In its [new guidance](#), the IRS said owners of multiple IRAs get a "fresh start" on Jan. 1. That is, a 60-day rollover made in

2014 “will have no impact on any distributions and rollovers during 2015 involving any other IRAs owned by the same individual,” the IRS said.

Another significant clarification, according to Jeffrey Levine, a CPA at [Ed Slott & Co.](#) in [Rockville Centre, N.Y.](#): The rule applies to IRA and Roth IRAs in the aggregate.

As a general rule, Mr. Levine and other tax specialists advise taxpayers to avoid 60-day rollovers, because of the risk of missing the deadline and inadvertently incurring tax on a big retirement-account balance. Instead, to move IRA money from one financial institution to another, they suggest requesting a direct transfer. “Doing a trustee-to-trustee transfer avoids all this nonsense,” Mr. Levine says.

The IRS did clarify, in addition, that a check from one IRA custodian made payable to another IRA custodian will qualify as a trustee-to-trustee transfer, not a rollover, even if the first custodian gives the check to the IRA owner. That’s “very taxpayer-friendly,” Mr. Levine says, because some smaller financial institutions prefer to effect transfers that way.

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