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Application of One-Per-Year Limit on IRA Rollovers

Announcement 2014-32

This announcement is a follow-up to Announcement 2014-15, 2014-16 I.R.B. 973, addressing the application to Individual Retirement Accounts and Individual Retirement Annuities (collectively, "IRAs") of the one-rollover-per-year limitation of § 408(d)(3)(B) of the Internal Revenue Code.

Section 408(d)(3)(A)(i) provides generally that any amount distributed from an IRA will not be included in the gross income of the distributee to the extent the amount is paid into an IRA for the benefit of the distributee no later than 60 days after the distributee receives the distribution (often referred to as a "60-day rollover"). Section 408(d)(3)(B) provides that an individual is permitted to make only one nontaxable 60-day rollover between IRAs in any 1-year period. As discussed in Announcement 2014-15, Proposed Regulation § 1.408-4(b)(4)(ii) and IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, provided that the one-rollover-per-year limitation was applied on an IRA-by-IRA basis. However, the Tax Court in *Bobrow v. Commissioner*, T.C. Memo. 2014-21, held that the limitation applies on an aggregate basis, meaning that an individual could not make more than one nontaxable 60-day rollover within each 1-year period even if the rollovers involved different IRAs. In Announcement 2014-15, the IRS indicated that it anticipated following the interpretation of § 408(d)(3)(B) in *Bobrow*, and accordingly that it would withdraw the proposed regulation and revise Publication 590 to the extent needed to follow that interpretation, but that it would not apply the *Bobrow* interpretation of § 408(d)(3)(B) before 2015. Consistent with Announcement 2014-15, Proposed Regulation § 1.408-4(b)(4)(ii) was withdrawn on July 11, 2014 (79 FR 40031), and subsequent relevant IRS publications (including new Publication 590-A, "Contributions to Individual Retirement Arrangements (IRAs)") will reflect the *Bobrow* interpretation of § 408(d)(3)(B).

This announcement is intended to address certain concerns that have arisen since the release of Announcement 2014-15. The IRS will apply the *Bobrow* interpretation of § 408(d)(3)(B) for distributions that occur on or after January 1, 2015. This means that an individual receiving an IRA distribution on or after January 1, 2015, cannot roll over any portion of the distribution into an IRA if the individual has received a distribution from any IRA in the preceding 1-year period that was rolled over into an IRA. However, as a transition rule for distributions in 2015, a distribution occurring in 2014 that was rolled over is disregarded for purposes of determining whether a 2015 distribution can be rolled over under § 408(d)(3)(A)(i), provided that the 2015 distribution is from a different IRA that neither made nor received the 2014 distribution. In other words, the *Bobrow* aggregation rule, which takes into account all distributions and rollovers among an individual's IRAs, will apply to distributions from different IRAs only if each of the distributions occurs after 2014.

A rollover from a traditional IRA to a Roth IRA (a “conversion”) is not subject to the one-rollover-per-year limitation, and such a rollover is disregarded in applying the one-rollover-per-year limitation to other rollovers. However, a rollover between an individual’s Roth IRAs would preclude a separate rollover within the 1-year period between the individual’s traditional IRAs, and vice versa. (For purposes of this announcement, the term “traditional IRA” includes a simplified employee pension described in § 408(k) and a SIMPLE IRA described in § 408(p).)

The one-rollover-per-year limitation also does not apply to a rollover to or from a qualified plan (and such a rollover is disregarded in applying the one-rollover-per-year limitation to other rollovers), nor does it apply to trustee-to-trustee transfers. See Rev. Rul. 78-406, 1978-2 C.B. 157. IRA trustees are encouraged to offer IRA owners requesting a distribution for rollover the option of a trustee-to-trustee transfer from one IRA to another IRA. IRA trustees can accomplish a trustee-to-trustee transfer by transferring amounts directly from one IRA to another or by providing the IRA owner with a check made payable to the receiving IRA trustee.

DRAFTING INFORMATION

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