IRA to IRA Rollovers:
One-Rollover-Per-Year Rule

What is a Rollover?

An IRA to IRA Rollover occurs when you take a distribution from an Individual Retirement Arrangement (IRA) and subsequently "roll" or "move" part or all of the assets back to the same IRA or another eligible IRA. Although a distribution and subsequent rollover allows you to "use" or "control" the assets for a period of time, this transaction comes with IRS rules and guidelines:

- You must complete the rollover within 60 days after the date you receive the distribution; and
- You are limited to one rollover per 12 month period beginning from the date you receive the original distribution of assets (not calendar year).

What is a Transfer?

A transfer is a direct movement of assets between IRAs of the same type. Because a transfer is not a distribution and you do not take control of the assets, there are no frequency restrictions, so you can transfer as many times in a 12 month period as you like.

This change will not affect your ability to transfer funds from one IRA trustee directly to another, because this type of transfer is not a rollover. The one-rollover-per-year rule of Internal Revenue Code Section 408(d)(3)(B) applies only to rollovers.

Tax Court Ruling:

In the recent United States Tax Court decision (Bobrow v. Commissioner TC Memo 2014-21-Docket No. 7022-11, January 28, 2014), the original understanding of the tax-free rollover treatment of multiple IRA distributions taken during the same 12-month period has changed. The Tax Court ruled that the tax law allows an IRA owner only one IRA-to-IRA rollover per 12-month period. Unfortunately, the tax consequences to multiple rollover distributions beginning in January of 2015 may result in additional taxes and penalties, such as excess contribution penalties and ordinary income taxes on the additional rollover amounts, late-tax payment penalties and potential early distribution penalties.

What is the change?

Beginning in 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. The limit will apply by aggregating all of an individual's IRAs (including SEP and SIMPLE IRAs as well as traditional and Roth IRAs), effectively treating them as one IRA for purposes of the limit.

- Trustee-to-trustee transfers between IRAs are not limited.
- Rollovers from traditional to Roth IRAs ("conversions") are not limited.

This information is not intended to provide legal advice or to be a detailed explanation of the rules or how such rules may apply to your individual circumstances. For specific information, you are encouraged to consult your tax professional. More information may also be found in the IRS Publication 590 by visiting their website at www.irs.gov.

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