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Once the Tax Court ruled against a taxpayer in a controversial interpretation of the “once-a-year” rollover rule for IRAs, the IRS was only too willing and eager to jump

on the bandwagon. But at least it delayed enforcement of the ruling until January 1,

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Initially, this once-a-year rule was interpreted by most tax experts to apply separately to each IRA owned by a taxpayer. The IRS even agreed with this view in its own Publication 590 (Individual Retirement Accounts). But then along came the *Bobrow* case (TC Memo 2014-21).

In *Bobrow*, the facts are somewhat confusing, and the taxpayer may have botched the timing. Essentially, he rolled over assets between IRAs within 60 days early in the year and then pulled the same maneuver later in the year. Because he didn't use the same IRA for a rollover more than once within the 12-month period, it looked like he was in the clear. So the taxpayer paid no tax on his IRA distributions for the year.

But the Tax Court brought down the hammer. It ruled that the once-a-year limit on IRA rollovers applied to *all* IRAs owned by the taxpayer. Citing legislative intent, the Court arrived at this conclusion through a literal reading of the tax law provision. Despite its published interpretation in Pub. 590, which isn't a legally binding authority, the IRS embraced the Tax Court's approach.

As a result, if a taxpayer rolls over funds from one IRA to another, he or she simply can't roll over funds from any other IRA to another IRA within the same year. This eliminates the strategy of daisy-chaining rollovers to free up IRA funds for other purposes.

Saving grace: The IRS postponed the implementation of the rule change to give taxpayers some more time to wrap their brains around it (Ann. 2014-15, 4/14/14). Now it has provided additional guidance. Under a new transitional rule, a distribution received in 2014 won't be invalidated if the rollover is completed in 2015, as long as the 60-day requirement is met. Thus, even though we're deep into November – less than 60 days from January 1, 2015 — a client can still utilize the previous tax strategy for multiple rollovers.

In addition, the IRS clarified that a conversion from a traditional IRA to a Roth IRA is

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