CPA Practice Advisor



The result can be a painful tax lesson.

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Do you have clients who have botched IRA rollovers? It's not unusual. Taxpayers can miss the 60-day deadline for a variety of reasons or it might simply slip their mind. The result can be a painful tax lesson.

Depending on the circumstances, you may apply for a waiver if you fail to meet the deadline, but the IRS has been notoriously tough about granting reprieves in the past. Now it is showing taxpayers more leniency. In new Revenue Procedure 2016-47, the IRS says you can self-certify yourself for a waiver without formally requesting a



if mailed, or the date the money is electronically transferred to your bank account.

If you use a trustee-to-trustee transfer to move funds from one IRA to another– in other words, your hands never touch the money – there's no income tax withholding to worry about. However, if you intend to use the cash temporarily, a 20% withholding requirement applies to the withdrawal. If you complete the rollover in a timely fashion, you may recover this withholding amount when you file your tax return for the year of the distribution.

Previously, the IRS handled waivers on a case-by-case basis. Then, in Revenue Procedure 2003-16, it established specific rules for obtaining a waiver through a private letter ruling, as well as spelling out the factors it would consider in its determination. The IRS also approved an automatic waiver procedure for occasions when the 60-day deadline wasn't met due to an error by a financial institution.

Now the IRS is loosening the rules even more. In the new Revenue Procedure, it allows you to self-certify a waiver by sending a written letter to a plan administrator or IRA trustee, custodian or issuer. The IRS has provided a "model letter" that taxpayers may use or you can develop your own with similar language.

To qualify for the waiver under Revenue Procedure 2016-47, the following requirements must be met.

- The IRS cannot have previously denied a waiver request with respect to a rollover of all or part of the distribution to which the contribution relates.

- The 60-day deadline was missed due to the taxpayer's inability to complete a rollover due one or more of the factors specified in Revenue Procedure 2003-16, including a death, disability, hospitalization, incarceration, restrictions by a foreign country, postal error and financial institution error,

- The rollover must be completed as soon as possible. Once the reason for missing