

Extension of Announcement 99-5 for IRA Recharacterizations and Reconversions Using the Same Trustee

Announcement 99-106

Purpose and Background

This announcement provides a 1-year extension of certain alternative methods of reporting IRA recharacterizations and reconversions.

Sections 408(i), 408A(d)(3)(D), and 6047 of the Internal Revenue Code provide that the Secretary of the Treasury shall prescribe rules for the reporting of transactions involving IRAs.

In general, contributions to IRAs are reported on Form 5498 and distributions from IRAs are reported on Form 1099-R. The instructions to these forms provide detailed information on completing these forms.

Section 1.408A-7 of the Income Tax Regulations imposes the general reporting requirements for Roth IRAs.

Notice 98-49, 1998-38 I.R.B. 5 (September 21, 1998), sets forth a general rule for reporting the recharacterization of an amount from an IRA of one type to an IRA of another type.

Announcement 99-5, 1999-3 I.R.B. 16 (January 19, 1999), provides for an alternative method of reporting recharacterizations and reconversions that occur in 1998 and 1999 within the same financial institution.

Section 1.408A-4 prescribes the rules relating to Roth IRA conversions, and § 1.408A-5 prescribes the rules relating to IRA recharacterizations. Section 1.408A-5, Q&A-9, provides that, for years after 1999, an IRA owner who converts an amount to a Roth IRA in a particular year and then recharacterizes the amount back to a traditional IRA may not reconvert the amount to a Roth IRA until the later of 30 days after the recharacterization or the beginning of the next year.

Extension of Announcement 99-5

A trustee, issuer, or custodian (hereinafter referred to as a "trustee") will not fail to satisfy the otherwise applicable IRA reporting requirements for

recharacterizations and reconversions occurring in 2000 using the same trustee, provided that the trustee complies with Announcement 99-5 (other than the requirement of Announcement 99-5 that the recharacterization or reconversion occur in 1998 or 1999).

Thus, a trustee will not fail to satisfy the reporting requirements under §§ 408(i) and 6047 for completing Forms 1099-R or Forms 5498 for IRAs merely because, in the event of a recharacterization occurring in 2000 using the same trustee or a reconversion occurring in 2000 using the same trustee, the trustee reports the results of the recharacterization or reconversion on the appropriate forms using a reasonable alternative method in lieu of the method described in Notice 98-49.

Any trustee using an alternative method must provide instructions to the IRA owner, in conjunction with account statements (or other information) the trustee provides to the IRA owner, on how to use the information provided on the forms to properly report the recharacterizations and reconversions on the IRA owner's Federal income tax return for 2000, including how to use the information to complete related forms such as Form 8606 and Form 5329.

For purposes of this announcement, whether a transaction occurs using the same trustee is determined by the trustee's Federal identification number. Thus, a transaction that occurs between trustees that use different Federal identification numbers for purposes of issuing Forms 1099-R and Forms 5498 is not a transaction that occurs using the same trustee.

A recharacterization or reconversion that does not occur using the same trustee must be reported in accordance with the general rules contained in Notice 98-49 and the instructions to Forms 5498 and 1099-R, regardless of the year in which the recharacterization or reconversion occurs.

IRA Reporting Requirements After 2000

The Service will issue guidance in the future regarding the method for reporting recharacterizations and reconversions of IRA contributions made after 2000.

Effect on Other Documents

Announcement 99-5 is modified.