

Application of One-Per-Year Limit on IRA Rollovers

Announcement 2014-15

This announcement addresses 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 and provides transition relief for owners of IRAs.

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. Section 408(d)(3)(B) provides that an individual is permitted to make only one rollover described in the preceding sentence in any 1-year period. Proposed Regulation § 1.408-4(b)(4)(ii) and IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, provide that this limitation is applied on an IRA-by-IRA basis. However, a recent Tax Court opinion, Bobrow v. Commissioner, T.C. Memo. 2014-21, held that the limitation applies on an aggregate basis, meaning that an individual could not make an IRA-to-IRA rollover if he or she had made such a rollover involving any of the individual's IRAs in the preceding 1-year period. The IRS anticipates that it will follow the interpretation of § 408(d)(3)(B) in Bobrow and, accordingly, intends to withdraw the proposed regulation and revise Publication 590 to the extent needed to follow that interpretation. These actions by the IRS will not affect the ability of an IRA owner to transfer funds from one IRA trustee directly to another, because such a transfer is not a rollover and, therefore, is not subject to the one-rollover-per-year limitation of § 408(d)(3)(B). See Rev. Rul. 78-406, 1978-2 C.B. 157.

The IRS has received comments about the administrative challenges presented by the Bobrow interpretation of § 408(d)(3)(B). The IRS understands that adoption of the Tax Court's interpretation of the statute will require IRA trustees to make changes in the processing of IRA rollovers and in IRA disclosure documents, which will take time to implement. Accordingly, the IRS will not apply the Bobrow interpretation of § 408(d)(3)(B) to any rollover that involves an IRA distribution occurring before January 1, 2015. Regardless of the ultimate resolution of the Bobrow case, the Treasury Department and the IRS expect to issue a proposed regulation under § 408 that would provide that the IRA rollover limitation applies on an aggregate basis. However, in no event would the regulation be effective before January 1, 2015.

DRAFTING INFORMATION

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