

# Question of the Month

"Hi Pat. I need some help! I did an IRA rollover last year, which was supposed to be tax-free. However, I just received a 1099-R form in the mail, showing my rollover as a taxable distribution. How do I get this corrected? Please help. Thank you! Linda.

Hi Linda. Thank you for your question. When a Form 1099-R arrives for an IRA rollover that is supposed to be tax-free, most people get very nervous. Especially when you see the information on the form saying

## Retirement & Estate Planning



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that the information has been forwarded to the Internal Revenue Service. I understand your concern, but don't panic yet!

There are two types of rollovers. A direct rollover, also called a trustee-to-trustee transfer, moves money from one account or financial institution to another without any money actually being distributed to the account holder. You do not take receipt of the money so it is not a taxable

transaction. With an indirect rollover, IRA funds are distributed to the account holder. The account holder then has 60 days to put the funds back into the same IRA, or into a different IRA account, to avoid having to pay tax and possible penalties on the distribution.

In your case, Linda, I am assuming you did an indirect rollover, and the 1099-R is showing it as a taxable distribution. But, so long as you put that money back into an IRA within 60 days, you will simply indicate that on lines 15a and 15b of Form 1040 (lines 11a and 11b of Form 1040A) showing the distribution as not taxable. You will receive a Form 5498 in May of this year showing that contribution to the IRA.

If you did a direct rollover, then box 2a on your 1099-R should be showing zero tax owed, so you may need to contact your custodian to get it corrected.

Join me next week on the **It's Your Money Show** as we answer more questions from our readers and listeners on some other retirement and tax-related issues. The show airs on WMEQ (880 AM) on Thursday at 7:30am and Saturday at 9:00am, as well as on WWIB (103.7 FM) on Wednesday at 7:30pm and Saturday at 5:30pm. You can also obtain this information and independent advice for your specific situation by contacting me at **(715) 835-6022** or **info@KeyStoneCV.com**, or through our website, **www.KeyStoneCV.com**.

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