
LIMITATION ON IRA ROLLOVERS: ONCE PER YEAR ONLY

The Internal Revenue Service (“IRS”) has narrowed the rules relating to Individual Retirement Account (“IRA”) rollovers by withdrawing longstanding proposed rules to reflect a recent U.S. Tax Court ruling in *Bobrow v. Commissioner*. The new rule provides that only one rollover may be made per year *per taxpayer* rather than one rollover per year *per IRA*. (Note: direct trustee-to-trustee transfers are not treated as rollovers for purposes of this rule.)

The Internal Revenue Code (“Code”) 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 rolled over to an IRA for the benefit of the distributee no later than 60 days after the distributee receives the distribution. An individual is permitted to make only one rollover in any one-year period. Proposed regulations issued in 1981 and IRS Publication 590, *Individual Retirement Arrangements (“IRAs”)*, have previously provided that this limitation is to be applied on an IRA-by-IRA basis. In contrast, the ruling in *Bobrow* held that the limitation applies on an aggregate basis, so that an individual could not make an IRA-to-IRA rollover if he or she had made a rollover involving any of his or her IRAs in the preceding one-year period.

New guidance clarifies that the IRS will follow the ruling in the case by withdrawing the relevant paragraph in the proposed regulations and revising Publication 590. The IRS guidance indicates that the IRS will not apply the *Bobrow* interpretation of the rollover rules to any rollover that involves an IRA distribution occurring before January 1, 2015. An effective date has not yet been set.

If you wish to learn more about the change in treatment of IRA rollovers and transition relief, please contact one of our tax attorneys, including any of those listed below.

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