ROTH IRA Conversions and Recharacterization!

Presented to Plano Area Enrolled Agents on
September 12, 2015 by:
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What is the difference between a ROTH IRA and Traditional IRA?

There are a few key differences.

1. The ROTH IRA contributions are not deductible, where Traditional IRA contributions can be deductible, depending on what the taxpayer's AGI is and whether they are a participant in a qualified plan.

2. When you reach age 70 ½ you must begin Required Minimum Distributions from a Traditional IRA, but there is no RMD requirement for a ROTH IRA until the death of the holder.

3. Eligibility for contributions is not limited on a Traditional IRA, but with a ROTH IRA, there is an AGI phase-out between $181,000-$191,000 for MFJ and $114,000-$129,000 for Single and HOH, and $0 to $10,000 for MFS where both spouses live together. These phase-outs apply whether a taxpayer is an active participant in a qualified plan or not. The phase-out in 2014 for a Traditional IRA contribution for an active participant in a qualified plan/employer sponsored plan has modified AGI of between $96,000-$116,000.

4. When you take qualified distributions from a ROTH IRA the distribution is tax free if the participant has held the funds in that IRA for at least 5 years, where distributions from a Traditional IRA are generally taxable.

5. Contributions must stop to a Traditional IRA once the taxpayer turns age 70 ½. Contributions to a ROTH IRA can continue past age 70 ½ as long as the taxpayer still has earned income.

Modified AGI for ROTH IRA purposes is AGI minus conversion income and then add the following:

- Traditional IRA Deduction
- Student loan interest deduction
- Foreign earned income exclusion
- Foreign housing exclusion or deduction
- Exclusion of U.S. Savings Bond interest used for education
- Exclusion of employer-provided adoption benefits
- Domestic production activities deduction
- Tuition and fees deduction

As a side note, there is a Military death benefit provision for ROTH IRA. Taxpayers that receive a military death gratuity or Service members' Group Life Insurance (SGLI) payment as a result of an injury that caused death after October 6, 2001, can contribute all or part of the amount received to a ROTH IRA. Any military death gratuity or SGLI payment contributed to a ROTH IRA is disregarded for the purpose of the one-year waiting period between rollovers. The contribution needs to be made within one year of receipt of the payment.

What goes into the decision to convert Traditional IRAs to ROTH IRAs?

The biggest disadvantage of the ROTH IRA conversion is the taxes that must be paid as a result of converting. The amount of tax due is calculated based on the FMV of the Traditional IRA immediately before the conversion. If you are converting a certain dollar amount, then the FMV is the amount you are converting.

If you decide to convert $20,000 for example, it is good to take that and split it among several accounts. We advise our clients to take the $20,000 and split it into four $5,000 ROTH IRAs, and depending on which mutual fund they choose, there will be some winners and some losers. Since we have until October 15th of the year following the tax year to change our mind, then we can Recharacterize the losers, which is the same as it never happened in the first place.

The advantage of a ROTH IRA conversion is that over time, the after-tax time value of money will eventually outweigh the time value of money by leaving it inside a Traditional IRA. Wealthy individuals who are not going to need the IRA funds are not required to take distributions, so they can leave their wealth in the IRA to their heirs. Low income individuals who have a ROTH IRA may have a lower AGI, and they can avoid having their Social Security benefits taxed and a possible loss of other tax credits that are based on AGI.

If your Traditional IRA contribution is not going to be tax deductible because you are covered by a qualified plan at an employer, then you can convert those Traditional funds immediately to a ROTH IRA, because there is no longer a limit on who can convert based on AGI.

Another reason to convert from Traditional IRA to a ROTH IRA is to use your tax benefits. If you are not going to have enough income in your tax return to use all of your standard deduction and exemptions, then you can convert IRA funds and cause income to be on your return. The same is true if you have carryover credits, such as adoption credits that are going to go away in 5 years if they are not used. If you generate enough income in the return to use the credits, then they will not expire and be wasted.

As tax preparers, we need to be ever mindful of how we can help our clients with their current tax return and their taxes for the future. We should not just prepare a return with zero tax and not ask ourselves whether this person has Traditional IRA funds that they could convert in the next year. Make sure you are careful not to cause them to have more taxable income than is necessary, such as causing Social Security to be taxable when it is not currently, due to a conversion. See Tax Court Case (Robert L. and Sara J. Helm, Petitioners vs. Commissioner of Internal Revenue, Respondent) in this case, the taxpayer argued that a ROTH conversion should not cause his Social Security to become taxable. The taxpayer's statement was: "The rollover doesn't create income. A distribution would create income, but a rollover doesn't. You don't get any money. And from a simplistic point of view, there's the difference between not getting money and getting money. When the law was passed with reference to taxability of Social Security benefits, they referred to income. And I think they meant actual income. Money that you got, not a mythical amount of money that you didn't get. There is a big difference between getting money and not getting money. And I don't think my Social Security benefits should be taxed based on money I didn't get. Yes, as far as taxing the rollover, it the conversion was taxable income, which caused the Social Security benefits to be taxable.

When is a Recharacterization advised or necessary and how do you report it?

Recharacterization is defined as a treating a contribution that has been made to one type of IRA as having been made to a different type of IRA. In order to accomplish a Recharacterization, the taxpayer must transfer the money in a trustee-to-trustee transfer from the first IRA to the second IRA. This can include the trustee just redesignating the first IRA as the second IRA. The transfer must be made by the due date including extensions, for the tax year in which the contribution was originally made. If the taxpayer timely filed the return without making the transfer, the transfer can still be made within six months of the due date of the return excluding extensions, by filing an amended return reflecting the transfer.

To qualify as a Recharacterization, all of the following must be true:

- The transfer must include any net income or loss allocable to the contribution. Any income or loss that occurred in the first IRA will be treated as having occurred in the second IRA.
- The Recharacterization is reported on the tax return for the year during which the contribution was made.

- The contribution is treated as having been originally made to the second IRA on the date it was made to the first IRA.

The executor of an estate can elect to Recharacterize on behalf of a decedent on the person's final return.

A Recharacterization is advised if you convert your IRA with a FMV of $60,000 on June 1, 2014 and then when you are preparing your tax return in March of 2015 the value is now $40,000. If you are in the 25% tax bracket you would be paying $15,000 tax on an asset that is now worth $40,000. The advice for this person would be to reconvert after the Recharacterization is completed.

Reconversion cannot happen before:

- The beginning of the year following the year in which the amount was originally converted (in our example above we recharacterized after the end of the conversion year when we were preparing the tax return.) or if later,
- The end of the 30-day period beginning on the day that the amount was transferred from the ROTH IRA back to the tradition IRA with the Recharacterization.

So, in our example, we converted in June of 2014, say we recharacterized on March 15, 2015, we would have to wait until April 15, 2015 to reconvert.

This is where the philosophy of setting up multiple accounts allows you more flexibility.

A Recharacterization is necessary when someone is preparing their tax return and they realize that they have Modified AGI above the phase-out threshold. They have to do a corrective Recharacterization so that they don't have to pay excise tax of 6% for over contributing to their ROTH IRA. This is considered an excess contribution.

Another way to handle an excess contribution is to pay the 6% penalty on the excess and leave it in the IRA. In the following year, under contribute to the IRA for that year and apply the prior year excess contribution to the current year contribution. You keep doing this until the excess is used up. I don't recommend this way, because I don't like having to pay unnecessary tax. ($6,500 X 6% = $390.) **See example Appendix A Example #1 and Example #2**

A Recharacterization may be necessary if someone loses their job and decides they need the money they paid for the conversion on their tax return. If the return is timely filed an amendment will have to be done before October 15th of that filing year in order for the Recharacterization to be considered timely. This does not mean that the IRS will be very speedy about getting the amended return processed.

Many times we don't know whether our clients have ROTH IRA accounts. We might ask them on the questionnaire, but they don't think it is important because they are not able to deduct the contribution on their tax return any way. The only time it becomes important to them is when the take distributions and they want to make sure they are not charged tax on the distributions because **"ALL"** distributions from a ROTH IRA are tax free. There is something called the 5 year rule that determines whether distributions are tax free.

5-Year Rule:
There are two separate 5-year rules that apply to ROTH IRAs.

- The 5-year holding period to qualify for tax free distributions
- The 5-year holding period to avoid the 10% early withdrawal penalty.

To qualify for tax free treatment, the distribution from a ROTH IRA must be made after the 5-year period. The time begins with the first day of the tax year in which the taxpayer contributed or converted money into a ROTH IRA and it ends on the last day of the 5th consecutive year. This is an once-in-a-lifetime rule. Once this is met with the first Roth IRS, all subsequent Roth IRAs of the taxpayer are treated as having met this rule. The 10% early withdrawal penalty will not apply to any distribution from a conversion contribution that has met the holding period requirements. The 5-year holding period applies separately to each conversion contribution, and it is not necessarily the same as the 5-year holding period used for determining the tax-free distribution rules.

Example: If a taxpayer makes a conversion contribution on February 1, 2014 and makes a regular contribution on the same date for 2013The 5-year period for the conversion begins 1/1/14 while the 5-year period for the regular contribution begins 1/1/13.

If the 5-year holding period is not met on a conversion contribution, the 10% penalty applies unless the distribution meets one of the exceptions to the 10% early withdrawal penalty. Does your head hurt yet? Have you ever had to go back and rebuild someone's contributions and conversions for many years to determine whether there is tax on a distribution? The brokers don't like having to go back and provide that information for us, and the taxpayer never has it.

APPENDIX A

EXAMPLE #1 FACT AND CIRCUMSTANCES:

Ira and Ima Jean have been our clients for many years. Ira is 67 and he has been drawing Social Security. Since Ima Jean is a Mortgage Broker, she had a really good year in 2013 with the growth in McKinney and attractive interest rates for mortgages. She had made contributions to their ROTH IRAs in April of 2014 so they would be done by the deadline for making the contribution. Since Ima Jean is always so busy making loans for other people, she usually gets an extension to file her tax return. When I was preparing their tax return, I noticed that their income disqualified them from being able to contribute to a ROTH. Since their income was also above the threshold for deducting the IRA contribution a form 8606 was necessary. Ira was able to deduct a portion of his IRA, because he was not covered by a plan, and he falls under the spousal IRA rules, because he didn't have any earned income. Because he is drawing Social Security, there is another worksheet that has to be done in his tax return to calculate what he is able to deduct on the front page of the return and what portion needs to show as a nondeductible IRA. We have to attach a statement to the return showing what happened as far as the original contribution and the Recharacterization because it was an excess contribution.

EXAMPLE #2 FACTS AND CIRCUMSTANCES:

A taxpayer comes to see me for the first time in 2013 to prepare his 2012 tax return. I ask him for a copy of the 2011 tax return so I can see if there is anything pertinent or carryovers that I might need to know about. Of course he has prepared his return on TurboTax and tells me he doesn't have a very complicated tax situation. He is married and has one child. He has a financial advisor at Edward Jones who had referred him to me, because the financial advisor was not sure whether they should be doing ROTH IRA contributions. His AGI on his 2011 tax return was $196,032.00. When I saw the first page of the tax return where TurboTax puts the summary, I knew immediately that he had an excess contribution. It turns out he and his wife have been doing systematic payments to the ROTH IRA accounts. Since he had been doing the contributions in 2011 and 2012 and this is now 2013 in September, we have to do corrective distributions for 2011 and Recharacterize all the 2012 contributions to Traditional IRAs and change the character of the systematic payments to Traditional IRAs. Form 5329 is what had to be filed for 2011 with the 6% excise tax on each form. We could file this form by itself because it is a signable form. It doesn't have to be filed with the tax return. Tracking the corrective distributions for each one and making sure they were reported properly on the 2012 and 2013 tax returns was quite a chore for the broker and us. So what the taxpayer thought was a simple question about eligibility to contribute to a ROTH IRA involved complicated transactions and forms on his tax return to take care of.

Example 1

Form 1040 Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return 2013

OMB No. 1545-0074 | IRS Use Only–Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning , 2013, ending , 20 | See separate instructions.

Your first name and initial	Last name	Your social security number
IRA	ROTH	111-22-3333
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
IMA JEAN	ROTH	444-55-6666

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.
123 MAIN STREET

▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
MCKINNEY TX 75070

Foreign country name | Foreign province/state/county | Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Filing Status

Check only one box.

1 ☐ Single
2 [X] Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions

6a [X] **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b [X] **Spouse**

Boxes checked on 6a and 6b: 2

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instr.)

If more than four dependents, see instructions and check here ▶ ☐

No. of children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

d Total number of exemptions claimed — Add numbers on lines above ▶ 2

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

7	Wages, salaries, tips, etc. Attach Form(s) W-2			7	149,146
8a	**Taxable** interest. Attach Schedule B if required			8a	1
b	**Tax-exempt** interest. **Do not** include on line 8a	8b			
9a	Ordinary dividends. Attach Schedule B if required			9a	4,967
b	Qualified dividends	9b	4,621		
10	Taxable refunds, credits, or offsets of state and local income taxes			10	
11	Alimony received			11	
12	Business income or (loss). Attach Schedule C or C-EZ			12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐			13	-3,000
14	Other gains or (losses). Attach Form 4797			14	
15a	IRA distributions	15a		15b (b Taxable amount)	
16a	Pensions and annuities	16a		16b (b Taxable amount)	18,581
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			17	213
18	Farm income or (loss). Attach Schedule F			18	
19	Unemployment compensation			19	
20a	Social security benefits	20a	18,683	20b (b Taxable amount)	15,881
21	Other income. List type and amount			21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶			22	185,789

Adjusted Gross Income

23	Educator expenses	23			
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24			
25	Health savings account deduction. Attach Form 8889	25			
26	Moving expenses. Attach Form 3903	26			
27	Deductible part of self-employment tax. Attach Schedule SE	27			
28	Self-employed SEP, SIMPLE, and qualified plans	28			
29	Self-employed health insurance deduction	29			
30	Penalty on early withdrawal of savings	30			
31a	Alimony paid b Recipient's SSN ▶	31a			
32	IRA deduction	32	1,440		
33	Student loan interest deduction	33			
34	Tuition and fees. Attach Form 8917	34			
35	Domestic production activities deduction. Attach Form 8903	35			
36	Add lines 23 through 35			36	1,440
37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶			37	184,349

Form 1040 (2013) IRA & IMA JEAN ROTH 111-22-3333 Page 2

Tax and Credits

38	Amount from line 37 (adjusted gross income)		184,349
39a	Check if: [X] You were born before January 2, 1949, [ ] Blind. [ ] Spouse was born before January 2, 1949, [ ] Blind. Total boxes checked ▶ 39a	1	
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b [ ]		
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		21,113
41	Subtract line 40 from line 38		163,236
42	Exemptions. If line 38 is $150,000 or less, multiply $3,900 by the number on line 6d. Otherwise, see instructions		7,800
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		155,436
44	Tax (see instr.). Check if any from: a [ ] Form(s) 8814 b [ ] Form 4972 c [ ]		30,387
45	Alternative minimum tax (see instructions). Attach Form 6251		
46	Add lines 44 and 45 ▶		30,387
47	Foreign tax credit. Attach Form 1116 if required	35	
48	Credit for child and dependent care expenses. Attach Form 2441		
49	Education credits from Form 8863, line 19		
50	Retirement savings contributions credit. Attach Form 8880		
51	Child tax credit. Attach Schedule 8812, if required		
52	Residential energy credits. Attach Form 5695		
53	Other credits from Form: a [ ] 3800 b [ ] 8801 c [ ]		
54	Add lines 47 through 53. These are your total credits		35
55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶		30,352

Standard Deduction for—
- People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $6,100

Married filing jointly or Qualifying widow(er), $12,200

Head of household, $8,950

Other Taxes

56	Self-employment tax. Attach Schedule SE	
57	Unreported social security and Medicare tax from Form: a [ ] 4137 b [ ] 8919	
58	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	
59a	Household employment taxes from Schedule H	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	
60	Taxes from: a [ ] Form 8959 b [ ] Form 8960 c [ ] Instructions; enter code(s)	
61	Add lines 55 through 60. This is your total tax ▶	30,352

Payments

62	Federal income tax withheld from Forms W-2 and 1099	33,952	
63	2013 estimated tax payments and amount applied from 2012 return		
64a	Earned income credit (EIC)		
b	Nontaxable combat pay election 64b		
65	Additional child tax credit. Attach Schedule 8812		
66	American opportunity credit from Form 8863, line 8		
67	Reserved		
68	Amount paid with request for extension to file		
69	Excess social security and tier 1 RRTA tax withheld		
70	Credit for federal tax on fuels. Attach Form 4136		
71	Credits from Form: a [ ] 2439 b [ ] Reserved c [ ] 8885 d [ ]		
72	Add lines 62, 63, 64a, and 65 through 71. These are your total payments ▶		33,952

If you have a qualifying child, attach Schedule EIC.

Refund

73	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	3,600
74a	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here ▶ [ ]	3,600
▶ b	Routing number XXXXXXXXX ▶ c Type: [ ] Checking [ ] Savings	
▶ d	Account number XXXXXXXXXXXXXXXXX	
75	Amount of line 73 you want applied to your 2014 estimated tax ▶ 75	

Direct deposit? See instructions.

Amount You Owe

76	Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions ▶	
77	Estimated tax penalty (see instructions) 77	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [X] Yes. Complete below. [ ] No

Designee's name ▶ KEITH W. ANDRE CPA Phone no. ▶ 972-548-1040 Personal identification number (PIN) ▶ 46950

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instr. Keep a copy for your records.

Your signature	Date	Your occupation	Daytime phone number
		RETIRED	
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see instr.)
		MORTGAGE LENDER	

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN
KEITH W. ANDRE CPA	KEITH W. ANDRE CPA	09/11/15		P00224692

Firm's name ▶ ANDRE + ASSOCIATES P.C. Firm's EIN ▶ 75-2741521

Firm's address ▶ 4695 W. UNIVERSITY DR. - HWY 380 MCKINNEY TX 75071-4816 Phone no. 972-548-1040

Form **8606**

Department of the Treasury
Internal Revenue Service (99)

Nondeductible IRAs

▶ Information about Form 8606 and its separate instructions is at www.irs.gov/form8606.

▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

OMB No. 1545-0074

2013

Attachment Sequence No. **48**

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions.
IRA ROTH

Your social security number
111-22-3333

Fill in Your Address Only If You Are Filing This Form by Itself and Not With Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home) | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).

Foreign country name | Foreign province/state/county | Foreign postal code

Part I Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2013.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2013 **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year. For this purpose, a distribution does not include a rollover, qualified charitable distributions, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013 (excluding any portion you recharacterized) **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2013, including those made for 2013 from January 1, 2014, through April 15, 2014 (see instructions)	1	2,180
2	Enter your total basis in traditional IRAs (see instructions)	2	
3	Add lines 1 and 2	3	2,180
	In 2013, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion? No ⟶ Enter the amount from line 3 on line 14. Do not complete the rest of Part I. Yes ⟶ Go to line 4.		
4	Enter those contributions included on line 1 that were made from January 1, 2014, through April 15, 2014	4	
5	Subtract line 4 from line 3	5	
6	Enter the value of **all** your traditional, SEP, and SIMPLE IRAs as of December 31, 2013, plus any outstanding rollovers (see instructions)	6	
7	Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2013. **Do not** include rollovers, qualified charitable distributions, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions)	7	
8	Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013. **Do not** include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16	8	
9	Add lines 6, 7, and 8	9	
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000"	10	
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17	11	
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA	12	
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions	13	
14	Subtract line 13 from line 3. This is **your total basis in traditional IRAs for 2013 and earlier years**	14	2,180
15	**Taxable amount.** Subtract line 12 from line 7. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	15	

Note. You may be subject to an additional 10% tax on the amount on line 15 if you were under age 59½ at the time of the distribution (see instructions).

Form **8606**

Department of the Treasury
Internal Revenue Service (99)

Nondeductible IRAs

▶ Information about Form 8606 and its separate instructions is at www.irs.gov/form8606.

▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

OMB No. 1545-0074

2013

Attachment Sequence No. **48**

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions.
IMA JEAN ROTH

Your social security number
444-55-6666

Fill in Your Address Only If You Are Filing This Form by Itself and Not With Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home) | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).

Foreign country name | Foreign province/state/county | Foreign postal code

Part I Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2013.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2013 **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year. For this purpose, a distribution does not include a rollover, qualified charitable distributions, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013 (excluding any portion you recharacterized) **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2013, including those made for 2013 from January 1, 2014, through April 15, 2014 (see instructions)			1	3,620
2	Enter your total basis in traditional IRAs (see instructions)			2	
3	Add lines 1 and 2			3	3,620
	In 2013, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion? No ▶ Enter the amount from line 3 on line 14. Do not complete the rest of Part I. Yes ▶ Go to line 4.				
4	Enter those contributions included on line 1 that were made from January 1, 2014, through April 15, 2014			4	
5	Subtract line 4 from line 3			5	
6	Enter the value of **all** your traditional, SEP, and SIMPLE IRAs as of December 31, 2013, plus any outstanding rollovers (see instructions)	6			
7	Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2013. **Do not** include rollovers, qualified charitable distributions, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions)	7			
8	Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013. **Do not** include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16	8			
9	Add lines 6, 7, and 8 — 9				
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000"	10			
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17	11			
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA	12			
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions			13	
14	Subtract line 13 from line 3. This is **your total basis in traditional IRAs for 2013 and earlier years**			14	3,620
15	**Taxable amount.** Subtract line 12 from line 7. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b			15	

Note. You may be subject to an additional 10% tax on the amount on line 15 if you were under age 59½ at the time of the distribution (see instructions).