**Rollovers Spread Between Years**

**Quick-Take:** In the past we have covered the IRA rollover rules. The rules can be confusing. Moreover, if a rollover occurs between two calendar years even more confusion exists. A few points, or reminders, on IRA rollovers follow when an IRA rollover is taken late in the year.

**60-Day Rule:** A distribution that is taken from an IRA in one calendar year can be rolled over to the next calendar year. Consequently, an IRA distribution that is taken in December 2024 can be rolled over to January 2025, just so long as the rollover is fully completed to the IRA within the 60-day deadline.

**Reporting:** If the IRA rollover is taken in 2024, the IRA custodian will report the distribution from the IRA on 2024 Form 1099-R. The completed IRA rollover in 2025 will be reported by the IRA custodian on a 2025 Form 5498. The IRA owner reports the IRA distribution and the rollover on his/her 2024 Form 1040 income tax return.

**365-Day Rule:** Only one IRA rollover per year is allowed. However, it is a 365-day year, not a calendar year. The 60-day deadline starts with the date that the IRA owner receives the distribution that is later rolled over.

**Example:** Barb takes a distribution from her IRA on December 10, 2024. Barb rolls over the distribution to her IRA on February 5, 2025, within the 60-day period. Barb cannot do another rollover from her IRA until December 11, 2025. This limit applies to all IRAs that Barb might own.

**Required Minimum Distributions:** An IRA rollover that is outstanding at the end of a calendar year can affect the owner’s required minimum distribution (RMD) for next the calendar year.

**Example:** The amount that is rolled over in 2024 by Barb must be included in the December 31, 2024 fair market value of Barb's IRA upon which her RMD is calculated. That *phantom* December 31, 2024 IRA balance amount is used to determine Barb's 2025 RMD amount. This 'add back' rule prevents an IRA owner from avoiding RMDs by having a reported IRA balance of zero ($0.00) on December 31.

**Conclusion:** The best way to navigate these IRA rollover rules is to completely avoid them by using a custodian-to-custodian direct transfer and skip the many mistakes associated with the 60-day rollover deadline, including those which cause the entire distribution to be immediately taxed along with the 10% early distribution penalty.

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