

Reasonable Excuses

Taxpayers are free to move money from one IRA to another, so long as they complete the transaction within 60 days. If they hold on to the funds for 61 days, they have a taxable distribution on their hands, and possible penalty taxes as well.

However, the IRS is authorized to waive the requirement if there is a good reason. Here are two actual cases, taken from private letter ruling requests submitted to the IRS last year.

- **Situation 1.** Taxpayer 1 withdrew funds from his IRA, intending to roll them over, but was hospitalized during the subsequent 60 days and couldn't complete the transaction within the time frame. In fact, he died soon after. Taxpayer 1's executor then asked the IRS to waive the 60-day requirement so that she could complete the rollover (avoiding significant income taxes on Taxpayer 1's final income tax return).
- **Situation 2.** A certificate of deposit in Taxpayer 2's IRA matured, and she put the funds into her checking account, intending to deposit them in another IRA that she owned. However, Taxpayer 2 was the sole caregiver for her husband, who suffered from a heart attack, a hip replacement, a series of seizures and a stroke, and so she had trouble staying focused on financial issues. What's more, during the 60-day period Taxpayer 2's daughter fell ill, was hospitalized and subsequently died. Taxpayer 2 asked the IRS to waive the 60-day rule.

In the private letter rulings, the IRS granted both requests.

The elements that the IRS takes into consideration when waiving the 60-day rule are outlined in *Revenue Procedure 2003-16*. Factors other than medical developments that may come into play include postal errors, errors by a financial institution, what was done with the money, and how much time has elapsed since the IRA withdrawal. Also, the IRS notes, the waiver does not apply to required minimum distribution amounts.

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