2025-2026

Trust SIMPLE-IRA Amendment

TRUST—NONDEPOSIT INVESTMENTS NOT FDIC-INSURED. UNDER YOUR SIMPLE-IRA, YOUR SIMPLE-IRA FUNDS MAY BE USED TO PURCHASE MUTUAL FUNDS AND OTHER NONDEPOSIT INVESTMENT PRODUCTS. NONDEPOSIT INVESTMENT PRODUCTS, SUCH AS MUTUAL FUNDS, STOCKS, BONDS, ETC., ARE NOT FDIC-INSURED; ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF THIS INSTITUTION AND ARE NOT GUARANTEED BY THIS INSTITUTION; AND INVOLVE INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

Dear SIMPLE-IRA Grantor:

You have established a SIMPLE Individual Retirement Account (IRA) (under section 408(p) of the Internal Revenue Code) to provide for your retirement and for the support of your beneficiaries after your death. We, as your SIMPLE-IRA custodian, are updating or amending the IRA documents (IRS Form 5305-S, as modified, and the Disclosure Statement) previously furnished you.

On December 22, 2022 the Consolidated Appropriations Act of 2023 was enacted into law. This law contains the SECURE Act 2.0 (The Setting Everyone Up for Retirement Enhancement Act) which contains many IRA and pension law changes. It is important that you understand the current laws and the SIMPLE-IRA plan provisions applying to your SIMPLE-IRA.

The SECURE Act 2.0 made some very substantial changes with respect to SIMPLE-IRA plans. A SIMPLE-IRA plan allows eligible employees to make elective deferral contributions and the sponsoring employer must make either a matching contribution or a nonelective contribution. An employer may but is not required with respect to its SIMPLE-IRA plan agreement to now allow an eligible participant to designate his or her SIMPLE-IRA contributions as a Roth contribution. This may be done for an elective deferral, an employer's matching contribution, an employer's nonelective contribution or the new additional contribution. Prior to the SECURE Act 2.0 an employer was unable to make any contribution other than its matching contribution or its nonelective contribution. An employer is now authorized in general to make an additional nonelective contribution for the eligible participants. Another change is that participants who are age 50 or older are permitted to make increased deferrals. In some cases an employer must increase it matching percentage or its nonelective percentage. Another change is participants age 60-63 may make an alternative elective deferral. The IRS on December 20, 2023 in Notice 2024-02 issued additional guidance discussing these changes. A summary is set forth in the Disclosure Statement.

We are furnishing you this Comprehensive SIMPLE-IRA Amendment so that you can be informed of these changes and take advantage of the law changes. The general rule is that the IRA plan agreement must authorize the transaction being made by an IRA accountholder or an inheriting IRA beneficiary and the IRA custodian. The IRA Disclosure Statement has been revised to set forth the SIMPLE-IRA rules applying for the 2025-2026 tax years.

You will want to review section 9.2 of the Disclosure Statement. It explains what contributions your employer's plan allows you to make and what contributions the employer may make.

We suggest you keep this Comprehensive SIMPLE-IRA Amendment in your personal files for safekeeping. The revised and updated SIMPLE Individual Retirement Account (IRA) and Disclosure Statement are both set forth in this Comprehensive SIMPLE-IRA Amendment and they replace previously furnished forms.

Sincerely,
Your SIMPLE-IRA Trustee

SIMPLE Individual Retirement Trust Account

FORM

This is Form 5305-S as issued by the Department of Treasury, Internal Revenue Service in April of 2017. Form 5305-S is a model trust account agreement that meets the requirements of sections 408(a) and 408(p) and has been automatically approved by the IRS. A SIMPLE individual retirement account (SIMPLE-IRA) is established after the form is fully executed by both the individual (participant) and the custodian. This account must be created in the United States for the exclusive benefit of the participant or his or her beneficiaries.

Do not file Form 5305-S with the IRS. Instead, keep it for record purposes.

NOTICE OF AGREEMENT

The Participant whose name appears above is establishing a Savings Incentive Match Plan for Employees of Small Employers individual retirement account (SIMPLE-IRA) under sections 408(a) and 408(p) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Trustee named above has given the Participant the disclosure statement required under Regulations section 1.408-6.

The Participant and the Trustee make the following agreement:

ARTICLE I

The trustee will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE-IRA plan described in section 408(p). In addition, the trustee will accept transfers or rollovers from other SIMPLE-IRAs of the participant and, after the 2-year period of participation defined in section 72(t)(6), transfers or rollovers from any eligible retirement plan (as defined in section 402(c)(8)(B)) other than a Roth IRA or a designated Roth account. No other contributions will be accepted by the trustee.

ARTICLE II

The participant's interest in the balance in the trust account is nonforfeitable.

ARTICLE III

1. No part of the trust account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).
2. No part of the trust account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

ARTICLE IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the participant's interest in the trust account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The participant's entire interest in the trust account must be, or begin to be, distributed not later than the participant's required beginning date, April 1 following the calendar year in which the participant reaches age 70½. By that date, the participant may elect, in a manner acceptable to the Trustee, to have the balance in the trust account distributed in:
   (a) A single sum or
   (b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.
3. If the participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
   (a) If the participant dies on or after the required beginning date and:
      (i) the designated beneficiary is the participant's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
      (ii) the designated beneficiary is not the participant's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the participant and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
      (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.
   (b) If the participant dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70½. But, in such case, if the participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

(ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the participant's death.

4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant's surviving spouse, no additional contributions may be accepted in the account.

5. The minimum amount that must be distributed each year, beginning with the year containing the participant's required beginning date, is known as the "required minimum distribution" and is determined as follows:

   (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the participant reaches age 70½, is the participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the participant's (or, if applicable, the participant and spouse's) attained age (or ages) in the year.

   (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the participant's death (or the year the participant would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

   (c) The required minimum distribution for the year the participant reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

ARTICLE V

1. The participant agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408(l)(2) and Regulations sections 1.408-5 and 1.408-6.

2. The Trustee agrees to submit to the Internal Revenue Service (IRS) and participant the reports prescribed by the IRS.

3. The Trustee also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE-IRA is a transfer SIMPLE-IRA.

ARTICLE VI

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with sections 408(a) and 408(p) and the related regulations will be invalid.

ARTICLE VII

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the application page.

Article VIII may be used for any other provisions the Participant and Trustee want to add. If provisions are added, they must comply with applicable requirements of State law and the Internal Revenue Code.

ARTICLE VIII
Introduction

In this Article, the words "you" and "your" mean the person for whose benefit the SIMPLE-IRA has been established. The words, "we," "us," and "our" mean the Trustee of your SIMPLE-IRA. In addition to the provisions of Articles I-VII, you and we agree that your SIMPLE-IRA will be governed by these terms.

1. Duties and Rights.

1.1 Purpose and Savings Provision. The express intent of you as the SIMPLE-IRA grantor and we as the SIM-

PLE-IRA trustee is to execute and create a SIMPLE-IRA which meets the requirements of Internal Revenue Code section 408(p) and related regulations. No action may be made by you or us with respect to your SIMPLE-IRA which would adversely affect the qualification of your SIMPLE-IRA and any such action is null and void to the extent permitted by existing law.

1.2 Tax Consequences. Because SIMPLE-IRAs are so influenced by tax laws, you expressly acknowledge that you should consult with your tax advisor before making almost any SIMPLE-IRA transaction. You are responsible for the tax consequences of any contribution or distribution, including rollovers, transfers, excess contributions, and prohibited transactions. You acknowledge that you have not relied upon us for any advice concerning such tax consequences.

1.3A Investments and Selection of Investments. You will have the right to self-direct the assets of this SIMPLE-IRA only if so indicated on the application page. If so, you, or your authorized investment manager, may direct us to invest your SIMPLE-IRA funds or some portion in any other assets as described in section 1.3B.

You agree to notify us in writing with sufficient direction so that we may properly execute the transaction. You also agree to comply with any other conditions or requests we may require for administrative reasons. You expressly agree that your SIMPLE-IRA will be charged for all transaction costs and other fees related to any directed investments. Such costs and fees are in addition to any other fees we may charge under this agreement.

You may invest your SIMPLE-IRA assets only in assets which are clearly permitted by the laws governing SIMPLE-IRAs. Thus, you cannot direct that your SIMPLE-IRA assets be invested in any investment so that a prohibited transaction occurs. And, although we may permit you to self-direct the investments, we reserve the right to refuse to follow any investment direction.

When you direct your investments, you assume full responsibility and we shall not be liable for any loss you suffer. We shall be able to rely fully on your directions without making any inquiry or investigation. We are granted the discretion to decline your investment direction for any reason. We shall have the right to request that you furnish us with a written attorney's opinion that the proposed transaction will not be a prohibited transaction.

You may also instruct us in writing to invest your SIMPLE-IRA into one or more of the savings or time deposit instruments which we are offering at that time. You expressly authorize this even though we are acting as the SIMPLE-IRA trustee of your SIMPLE-IRA. Our name is set forth on the SIMPLE-IRA application. Such deposit account must bear a reasonable rate of interest as determined by the terms of the deposit instruments and the short and long term economic conditions. The terms of any such accounts are incorporated by reference into this agreement.

If on the application you have indicated that we will fully invest your SIMPLE-IRA funds on your behalf, then section 1.3B sets forth our powers, rights and duties.

FDIC insurance will only apply to the portion of your SIMPLE-IRA funds invested in our time and savings accounts or those of another insured institution, and then only to the extent provided under governing rules. Such insurance does not apply to SIMPLE-IRA funds which you self-direct into other types of investments. Securities are not bank deposits or FDIC insured, are not obligations of or guaranteed by the Trustee, and involve risk to principal.

1.3B Investments. We will invest the assets comprising this SIMPLE-IRA unless the application page indicates otherwise. We have the following powers, rights and duties regarding the investment of your SIMPLE-IRA assets.

a. You expressly authorize us to invest your SIMPLE-IRA funds into one or more deposit accounts as being offered by our financial institution or any related affiliate.

   See the application page for our name. Such deposit accounts must bear a reasonable rate of interest as determined by the terms of the deposit instruments and the short and long term economic conditions. The terms of any such accounts are incorporated by reference into the agreement.

b. To hold any property in our name or that of our nominee or in any other form we consider desirable.

c. To invest in bonds, notes, debentures, mortgages, trust interests, investment stock, mutual funds, general and limited partnership interest, deposits which bear a reasonable interest rate in the trustee, or in such other property, real or personal, within the United States, as the trustee may deem advisable, or as directed by you.

d. To invest in common trust funds and common investment funds (within the meaning of Code section 408(a)(5)).

e. To hold in cash such portion of the SIMPLE-IRA assets as shall be reasonable under the circumstances.

f. To exercise any powers and rights of any individual owner with respect to any property of the SIMPLE-IRA including, but not limited to, conducting business or litigation, participating in a voting trust, merger, borrowing funds and to do all other acts in its judgment necessary or desirable for the investment of your SIMPLE-IRA assets even though the specific power to do such acts is not listed.

g. To allow you (the SIMPLE-IRA grantor) pursuant to written policy to direct the investment of your SIMPLE-IRA assets. For purposes of this section, the term "you" includes any Investment Manager which you have named. When we permit you to direct the investment, we shall not be liable for any loss you suffer.

1.3C. Voting Proxies. The IRA grantor and the IRA custodian/trustee agree the following provisions will apply to investment proxies related to the IRA investments. We as the IRA custodian/trustee have the responsibility to perform the proxy duties, including voting, whether we select the investments or you select the investments because you self-direct your IRA. We as the IRA custodian/trustee are the owner of the IRA investments. We will use our best efforts to determine what is best for your IRA. In general, the investments selected for your IRA (by us or you) must be in your economic interest considering only pecuniary factors.

You and we agree that we are not required to inform you when we are sent proxy materials with respect to an IRA investment. However, you may inform us in writing when you want us to inform you about a proxy matter.

If we determine the cost associated with responding to the proxy materials exceeds the economic benefit to be realized, then we will not respond or vote on the proxy matter.

You agree that we may charge a reasonable fee for our proxy services. If you request us to respond to a proxy we may charge a fee of based on the rate of $50 per hour. If we decide we will respond to a proxy we may charge a fee of based on the rate of $50 per hour. We reserve the right to waive this fee.

We both acknowledge that in some situations there could be prohibited transaction concerns. You should advise us in writing when you hold an asset within your IRA and you (or a company controlled by you) also own such asset on a personal non-IRA basis. If we decide to adopt your suggested approach on a proxy matter, you agree to accept full responsibility for the matter, including any negative resulting from a determination by a banking regulator, the SEC, the IRS or the Department of Labor (DOL).

1.4 Withdrawals/Termination. You are permitted to withdraw funds from your SIMPLE-IRA at any time. To request a distribution, you must notify us and complete our distribution form, and furnish us with the reason for your distribution. If you indicate the distribution is because of your disability, or because you have been a plan participant for two years or more and are age 59½ or older, then you must provide us with the necessary verification in the format we require.

All distributions will be subject to ordinary income tax unless they are rolled over pursuant to the rules discussed below. Distributions made prior to age 59½, death, or disability, will also be subject to the IRS premature distribution penalty tax. This tax is equal to 25% of the distribution amount if the distribution is made before you have satisfied the two-year participation requirement, and 10% if the distribution is made after you have satisfied the two-year participation requirement.

Unless you instruct us otherwise in writing, we must withhold income tax on any SIMPLE-IRA distribution for federal income tax purposes and also for state income tax purposes, if applicable. The amount to be withheld will be the amount then required under governing laws.

You have the right to roll over these funds to another SIMPLE-IRA or a regular IRA in accordance with Internal Revenue Code section 408(d)(3)(G). See the rollover discussion which is set forth later. You have the right to have this rollover without any cost or penalty being imposed.

Except for the special rollover rule which applies to a distribution from a SIMPLE-IRA, your SIMPLE-IRA will be assessed and required to pay, if applicable, the interest penalty for the early surrender of a time deposit, and/or fees related to the distribution.

1.5 Special Distribution Rules to Ensure Compliance with RMD Rules. You are required to establish a periodic distribution schedule so that you are paid a distribution amount which equals or exceeds your required minimum distribution amount for the year you attain age 73 and each subsequent year. We have forms available which can be used to establish this schedule. Alternatively, you may elect to use the alternative certification method. You must furnish us a written notice of your intent to use the alternative certification method. Upon your request we will furnish you a form which you can use to make this election.

Note. The CAREs Act waives all RMDs for 2020. RMD rules will again apply for 2021 and subsequent years.

Unless you instruct us otherwise in writing, you hereby authorize us to issue you a check from your SIMPLE-IRA funds on or before November 15 of each year for the amount of your annual required distribution as determined above or deposit such amount into any non-SIMPLE-IRA checking or savings account which you maintain with us. If you do not maintain such a non-SIMPLE-IRA savings account, then you hereby grant us the authority to establish a non-SIMPLE-IRA savings account to receive your RMD. We shall have the right to select a date other than November 15, but we must furnish you 15 days' notice. We shall have the authority but not the duty to distribute this annual required distribution amount from your IRA. You are solely responsible to make sure that your required minimum distributions take place on a timely basis.

1.6 Designating Beneficiaries and Method of Payment. You may designate one or more beneficiaries to receive your SIMPLE-IRA assets after your death. We require that you use our beneficiary form (or such other form which we have acknowledged in writing) to designate your beneficiary or beneficiaries and that you sign this form and file it with us during your lifetime. You are deemed to have furnished us with your beneficiary designation if you furnished such a form to an entity with respect to which we are considered to be a successor custodian and we have such designation in our files. You may change your beneficiaries at any time, and the consent of a beneficiary is not required unless you reside in a state with community or marital property laws. When you sign a new beneficiary form, you revoke all prior beneficiary designations. If you do not name a beneficiary, or if none of the named beneficiaries are alive on the date of your death, your SIMPLE-IRA assets will be paid to your estate. As the beneficial owner of the SIMPLE-IRA assets, you can instruct how and when these assets will be paid to the beneficiaries. Such instruction must be in writing. If you don't instruct, your beneficiaries will have the right to choose how and when the assets will be paid. Any method of payment must satisfy the provisions of Article IV and other governing law.

On the SIMPLE-IRA application you are to define the percentage to be received by each beneficiary of each beneficiary classification. The total of such percentages is limited to be 100%. The following procedures are to be applied if the total of the percentages is not 100%. If the total of such percentages exceeds 100%, then on a pro-rata basis such percentages shall be reduced so the total is 100%. If the total of such percentages is less than 100% including no percentage being assigned any participant, then the remaining percentage (could be 100%) is to be divided equally between those beneficiaries not assigned a specific percentage. If you designate multiple beneficiaries and the total percentage exceeds 100% and you have failed to designate a percentage for one or more beneficiaries, then you are deemed to have assigned this beneficiary(ies) with the same percentage as the beneficiary with lowest percentage and then the percentages of all beneficiaries will be reduced pro-rata so that the total of the percentages is 100%.

Should any beneficiary pre-decease you, his or her share of the IRA is distributed pursuant to the selection you made on the account application in the Designation of Beneficiary section. The first choice, the pro rata method, terminates the interest of the deceased beneficiary and distributes those funds pro rata according to the remaining beneficiary's share percentage(s). The second choice (a per stirpes method) transfers the deceased beneficiary's share equally to the next generation of his or her living issue. Living issue is defined first as children, then grandchildren, then great-grandchildren (natural and/or adopted). If the predeceased primary beneficiary does not have any living issue, then his or her share shall be transferred to the other primary beneficiary(ies) on a pro rata basis based on their respective percentage shares unless you indicate on the IRA application that the share of the predeceased primary beneficiary is to go to his or her surviving spouse, if any.

In order that your funds be distributed according to your wishes, we strongly recommend you complete a new beneficiary designation as soon as possible when a beneficiary dies before you.

After your death, each primary beneficiary who acquires an interest in your SIMPLE-IRA shall have the right to designate his or her own beneficiary(ies) with respect to his or her share. The procedures for designating a beneficiary(ies) which apply to you as the accountholder shall also apply to your beneficiary. When a beneficiary signs a new or revised beneficiary designation form, your beneficiary revokes all of his or her prior beneficiary designations. If the beneficiary does not designate his other beneficiary(ies), or if a designated beneficiary is not alive when the beneficiary dies, then the remaining SIMPLE-IRA assets will be paid to such beneficiary's estate. Any method of payment must satisfy the provisions of Article IV and other governing law.

Simultaneous Death Provision. If my beneficiary and I die together with no evidence showing who died first, then my beneficiary is deemed to have predeceased me.

1.7 Special Distribution Rules to Ensure Compliance with Required Minimum Distribution Rules by Beneficiaries and Special Provisions for an Inherited SIMPLE-IRA(s). You agree to inform any person who is your beneficiary that he or she is your beneficiary and he or she must inform us of your death. We have the right to require that your beneficiary(ies) furnish us with a certified copy of your death certificate or other documentation as we feel appropriate to verify your death.

An inheriting beneficiary is subject to these terms of your SIMPLE-IRA. Your beneficiary is required to complete such forms and furnish such information as we deem appropriate in order to handle a distribution request, including a transfer distribution.

After your death, there are rules which mandate that your SIMPLE-IRA funds be distributed to your beneficiary(ies) on or before certain time deadlines.

If a time deadline is not met and the applicable required distribution is not withdrawn, an inheriting beneficiary will owe the 50% excise tax. The rules and time deadlines which apply depend upon whether you die on or before December 31, 2019 or whether you die after December 31, 2019 and whether or not you as the beneficiary are an eligible designated beneficiary as defined in the SECURE Act or is not an eligible designated beneficiary. These rules and deadlines are discussed in the SIMPLE-IRA Disclosure Statement. You acknowledge that these rules are complex and that your beneficiaries should discuss with their own advisers.

Upon your death, your SIMPLE-IRA will be converted into one or more inherited IRAs. The number of inherited IRAs to be created depends upon the number of your primary beneficiaries alive as of the date of your death. There will be an inherited SIMPLE-IRA created for each such beneficiary. The following rules will govern such inherited IRAs. These rules are in addition to the other rules of this agreement and will govern if there is a conflict.

You agree that we have the right to establish an inherited SIMPLE-IRA account for each beneficiary on our data processing system even before a beneficiary instructs us how he or she will take withdrawals. We will have the authority to move the funds from your SIMPLE-IRA to one or more new inherited SIMPLE-IRA accounts. We will have the right, if necessary, because of data processing or administrative requirements to surrender the savings and time deposits which comprised your account and establish new ones for the inherited IRAs.

There will be earnings (or losses) from the time of your death until the time the separate SIMPLE-IRAs are set-up. Such earnings (or losses) will be allocated on a pro rate basis in a reasonable and consistent manner between the separate SIMPLE-IRAs. An inheriting beneficiary is only entitled to receive a distribution with respect to his or her SIMPLE-IRA.

There may be times when your estate will be the beneficiary of your SIMPLE-IRA upon your death. You hereby authorize us to establish separate inherited IRAs for the beneficiaries of your estate if the following requirement is met. If the estate's attorney will furnish a legal opinion that under federal and state law that it is permissible for the estate to pass-through to its beneficiaries the estate's right to withdraw the SIMPLE-IRA funds over your life expectancy, then the SIMPLE-IRA custodian shall establish such separate inherited SIMPLE-IRAs. You agree that your estate and your beneficiary(ies) will hold us (i.e. the SIMPLE-IRA custodian/trustee) harmless with respect to taxes, penalties, and all other tax and non-tax consequences should the IRS or any other party contest this procedure.

There may be times when your trust will be the beneficiary of your SIMPLE-IRA upon your death. You hereby authorize us to establish separate inherited IRAs for the beneficiaries of your trust if the trustee or trustees of such trust decide to terminate this trust. You hereby authorize the amendment of your trust to accomplish this result. An attorney for the trust shall furnish a legal opinion that under federal and state law that it is permissible for the trust to pass-through to its beneficiaries the trust's right to withdraw the SIMPLE-IRA funds using the measuring life of the oldest beneficiary of the trust. In such case the SIMPLE-IRA custodian shall establish separate inherited SIMPLE-IRAs. You agree that your trust and the beneficiary (ies) of such trust will hold us (i.e. the IRA custodian/trustee) harmless with respect to taxes, penalties and all other tax and non-tax consequences should the IRS contest this procedure.

We will transfer an inherited SIMPLE-IRA to another SIMPLE-IRA custodian or trustee, but only if the requesting beneficiary and the receiving SIMPLE-IRA custodian/trustee will furnish us with a special transfer of inherited SIMPLE-IRA administrative form so it is clearly acknowledged that it is an "inherited SIMPLE-IRA" which is being transferred. Inherited IRAs are not eligible to be rolled over unless the beneficiary is a spouse who is the sole beneficiary.

Each beneficiary will be required to instruct us in writing as to how he or she will withdraw funds from his or her inherited SIMPLE-IRA so that the required minimum distributions rules will be satisfied.

A beneficiary who wishes to disclaim his or her interest must do so within nine months of your death and must comply with the requirements of Code section 2518 and applicable state law. Your beneficiary will be required to furnish us a written disclaimer as prepared by his or her attorney.

A spouse beneficiary will be deemed to have elected the life-distribution rule unless he or she expressly elects the 10-year rule on or before December 31 of the year following the year of your death. Your spouse beneficiary is ineligible to elect the 10-year rule if you die on or after your required beginning date. A nonspouse beneficiary will also be deemed to have elected the life distribution rule unless he or she expressly elects the 10-year rule on or before December 31 of the year following the year of your death.

We have forms available which can be used by your beneficiary to instruct us which option he or she elects and to establish a distribution schedule. Alternatively, the beneficiary may elect to use the alternative certification method. The beneficiary must furnish us a written notice of his or her intent to use the alternative certification method. We will furnish the beneficiary a form which can be used to make this election, upon his or her request.

If your beneficiary fails to furnish us with his or her instruction as to how he or she will comply with the required distribution rules which apply to the situation, if applicable, then you hereby authorize us to mail a check to the beneficiary or to set-up a non-SIMPLE-IRA savings account for such beneficiary and to deposit such funds into such account. We shall have the authority to make such a distribution by November 1 of the applicable year, but not the duty. Any beneficiary shall be solely responsible to make sure that required distributions take place on a timely basis so the RMD excise tax of Code section 4974(a) will not apply.

1.8 Assignment Rights. You, your beneficiaries, or anyone else may not borrow from your SIMPLE-IRA, or pledge any portion of it as security or otherwise assign or create a lien on any part of your SIMPLE-IRA account.

1.9 Indemnification. You hereby agree to release us from any and all liability with respect to your SIMPLE-IRA except if such liability arises from our intentional misconduct or gross negligence.

1.10 Sale of Custodian-Successor Custodian. If another institution should purchase this, the custodian institution, or any of our SIMPLE-IRA deposits, or we elect to change our corporate structure via a merger, consolidation or name change, then you hereby consent that the purchasing entity or the resulting corporate entity will be the successor custodian of your SIMPLE-IRA funds with all duties and rights as listed herein.

1.11 General Rule–No FDIC Insurance Coverage. Normally FDIC insurance does NOT apply to assets held within a self-directed SIMPLE-IRA because FDIC insurance applies only to certain deposit accounts. Your SIMPLE-IRA has primarily been invested or will be invested in investments other than such deposit accounts and therefore will NOT be insured by the FDIC.

Stated another way, under your self-directed SIMPLE-IRA, your SIMPLE-IRA funds may be used to purchase mutual funds and other nondeposit investment products. The nondeposit investment products are not FDIC insured; are not deposits or other obligations of this institution and are not guaranteed by this institution; and involve investment risks, including loss or principal.

In some instances a portion of your SIMPLE-IRA funds will be invested in deposits at this institution or another institution which is an "insured" institution. In such case, such deposits would be insured pursuant to the rules as established by the FDIC. A summary follows. Such SIMPLE-IRA deposits are insured on a per institution basis and are insured separately from other deposit accounts, pursuant to the Federal Deposit Insurance Act, up to $250,000. Any IRA, Roth IRA, most eligible deferred compensation plans described in section 457 of the Internal Code, a Keogh plan as described in Code section 401(d) and any individual account plan as defined in section 3(34) of ERISA shall be aggregated and insured in an amount not to exceed $250,000. This aggregation requirement applies to a Keogh plan or an individual account plan only when you have the right to direct the investment of your account. Amounts in excess of $250,000 are not insured.

The FDIC has stated that funds within an Inherited SIMPLE-IRA are insured separately from funds within your personal SIMPLE-IRA. The reason – the funds are held in a different right and capacity.

1.12 Special Terms Regarding SIMPLE-IRA Contributions. Your SIMPLE-IRA may accept SIMPLE-IRA contributions which are made either by your employer or, if you are self-employed, by yourself. You hereby acknowledge that we have no responsibility or duty to determine your eligibility for such contributions or the correctness of the contribution amount. You also acknowledge that you could well have excess IRA contributions if your employer (or you as the employer) makes a mistake as to which employees of the sponsoring business are entitled to be allocated a share of the employer contribution and the amount of each allocation. Other administrative errors could also occur. Therefore, you agree to hold us harmless with respect to any and all adverse tax consequences (e.g. excess contributions) which arise or may arise as a result of your employer (or you as the employer) making such administrative error(s).

1.12A Special Terms Regarding SEP-IRA Contributions. Your SIMPLE-IRA shall not accept SEP-IRA contributions which are made either by your employer or, if you are self-employed, by yourself.

1.12B Transfers, Rollovers, Conversions, Recharacterizations, and Special Recontributions. We may request certification acceptable to us before we will accept any transfer, rollover, conversion, recharacterization or special recontribution. We reserve total discretion whether or not we will transfer your SIMPLE-IRA assets to another custodian or trustee. You also expressly state that you have the sole responsibility for complying with all IRS eligibility rules for conversions, recharacterizations, recontributions and rollovers, including the rule that you are allowed only one rollover per 12 months. You must have met the 2 year requirement.

The rollover and direct rollover rules are complicated. You should consult with your tax adviser. The new rollover rules are discussed in the Disclosure Statement.

1.12C Transfers and Rollovers. We reserve discretion whether or not we will transfer your IRA assets to another IRA custodian or trustee. We will generally require the other IRA custodian/trustee to sign our IRA transfer form or use a transfer form we find acceptable. With respect to rollovers from 401(k) plans, other employer sponsored plans or IRAs, you should receive a written form from the paying entity that you are eligible to directly rollover or rollover such distribution. You have the primary duty to determine your best interests are served by making your rollover contribution or direct rollover contribution. You also have the duty to determine that you comply with the numerous rollover eligibility rules, including the 60-day rule and the rule that authorizes a person to rollover only one IRA distribution within a 365 day time period commencing with the distribution.

The rollover and direct rollover rules are complicated. You should consult with your tax adviser. The rollover rules are discussed in the Disclosure Statement.

A SIMPLE-IRA participant is eligible to rollover or transfer funds into or out of his or her SIMPLE-IRA to a traditional or SEP-IRA or vice versa only if he or she has met the 2-year requirement.

We may request certification acceptable to us before we will accept any transfer or rollover contribution. We reserve total discretion whether or not we will transfer your SIMPLE-IRA assets to another custodian or trustee. You certify that you understand that you are not eligible to roll over any required minimum distribution amount. You assume sole responsibility for complying with this requirement. You also expressly state that you have the sole responsibility for complying with all IRS eligibility rules for rollovers, including the rule that you are allowed only one rollover per SIMPLE-IRA per 12 months. The rollover and direct rollover rules are complicated. You should consult with your tax adviser. The new rollover rules are discussed in the Disclosure Statement.

We reserve discretion whether or not we will transfer your IRA assets to another IRA custodian or trustee. We will generally require the other IRA custodian/trustee to sign our IRA transfer form or use a transfer form we find acceptable. An IRA accountholder who requests that their IRA be transferred to another IRA has the responsibility to determine that the transfer is completed and that the transfer check is negotiated by the successor IRA custodian/trustee. If for whatever reason, the transfer check is not negotiated within 45 days by the successor IRA custodian/trustee, then the IRA accountholder has the immediate duty to notify the remitting IRA custodian of this fact. The remitting IRA custodian/trustee may charge the IRA or the IRA accountholder a reasonable fee for any additional work it performs as a result of the transfer check not being negotiated in a timely manner. No additional interest will need to be paid by the remitting IRA custodian/trustee.

With respect to rollovers from 401(k) plans, other employer sponsored plans or IRAs, you should receive a written form from the paying entity that you are eligible to directly rollover or rollover such distribution. You have the primary duty to determine your best interests are served by making your rollover contribution or direct rollover contribution. You also have the duty to determine that you comply with the numerous rollover eligibility rules, including the 60-day rule and the rule that authorizes a person to rollover only one IRA distribution within a 365 day time period commencing with the distribution.

The rollover and direct rollover rules are complicated. You should consult with your tax adviser. The rollover rules are discussed in the Disclosure Statement.

1.12D Rollovers, Direct Rollovers, Transfers and the DOL and Prohibited Transaction Exemption 2020-02. We are informing you that we want to service you well and in your best interest when you make a rollover or a transfer contribution. We will generally determine that the rollover or the direct rollover is in your best interest. In many cases you have made that decision without any input from us. We will generally determine that an IRA transfer is in your best interest and will assist.

The IRS has furnished guidance on rollovers and direct rollovers by furnishing a safe harbor notice for the required section 402(f) Notice.

There is no discussion of PTE 2020-02 in the IRS' safe harbor notice.

On December 18, 2020, the Department of Labor (DOL) adopted PTE 2020-02, *Improving Investment Advice for Workers & Retirees*, a new prohibited transaction exemption under ERISA and the Code for investment advice fiduciaries with respect to employee benefit plans and individual retirement accounts (IRAs). Investment advice fiduciaries who rely on the exemption must render advice that is in their plan and IRA customers' best interest in order to receive compensation that would otherwise be prohibited in the absence of an exemption, including commissions, 12b-1 fees, revenue sharing, and mark-ups and mark-downs in certain principal transactions. The exemption expressly covers prohibited transactions resulting from both rollover advice and advice on how to invest assets within a plan or IRA.

Each IRA custodian/trustee will decide how it will implement PTE 2020-02, if at all. An IRA custodian/trustee may choose to not implement PTE 2020-02 if it has determined that it does not generally have any prohibited transaction concerns. Other IRA custodians/trustees may choose to implement PTE 2020-02 and will furnish you with a special disclosure that will be incorporated by reference into this plan agreement.

1.13 Reports. Each year we will provide you or your beneficiary with one or more reports showing the activity in your SIMPLE-IRA for the preceding year as required by IRS regulations and pronouncements.

You agree that we may furnish these reports by either providing a print version or an electronic version of the reports.

1.14 Reporting Errors. You or your beneficiary must carefully review each report for any errors. You are to notify us immediately if there are any errors. If you do not tell us of any errors within 90 days after the date we mailed the report, we are relieved of any responsibility for the error.

1.15 Corrections of Errors. We shall have the right to correct any error we make with respect to your SIMPLE-IRA unless IRS rules and procedures would not permit us to do so. Such errors include both reporting errors and non-reporting errors.

1.16 Special Agreement Regarding Prohibited Transactions. You acknowledge that the prohibited transaction rules set forth in Code section 4975 are complex and can result in harsh tax consequences. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your SIMPLE-IRA account at any time during the year, the account stops being a SIMPLE-IRA as of the first day of that year. Therefore, you expressly agree that you will consult with your attorney or tax advisor prior to any proposed transaction which might be a prohibited transaction. You shall furnish us with an attorney's written opinion that a prohibited transaction will not occur on account of the proposed transaction. You agree to hold us harmless for any prohibited transaction which occurs unless we would be principally at fault.

Generally, a prohibited transaction is any improper use of your SIMPLE-IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are examples of prohibited SIMPLE-IRA transactions.

- Borrowing money from it.
- Selling property to it.
- Receiving unreasonable compensation for managing it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with SIMPLE-IRA funds.

SECURE Act 2.0 has made the following clarification. If an IRA accountholder has multiple IRA plans and a prohibited transaction occurs with respect to one of the IRAs, it is made clear that only the IRA with respect to which the prohibited transaction occurred is disqualified. This applies for 2023 and subsequent years.

1.17 Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your IRA or exercises any authority or control in managing or disposing of its assets.
- Provides investment advice to your IRA for a fee, or has any authority or responsibility to do so.
- Has any discretionary authority or discretionary responsibility in administering your IRA.

Current law provides for a 5-part test to determine if a person is a fiduciary. Under this rule a person is a fiduciary only if he or she:

1) makes recommendation on investing in, purchasing or selling securities or other property; or gives advice as to their value; 2) on a regular basis; 3) pursuant to a mutual understanding that the advice; 4) will serve as a primary basis for investment decisions; and 5) will be individualized to the particular needs of the IRA or plan.

A person who does not meet all five conditions is not a fiduciary.

The Department of Labor (DOL) has issued a final regulation which changes the definition of when a financial institution, a representative of a financial institution or an individual is a fiduciary. The DOL issued on April 26, 2024 its new regulation defining who is an investment advice fiduciary. The regulation defines that every rollover or transfer is a fiduciary act. As of December 2024 there are two court cases challenging whether this regulation is valid. A person must consult with their legal, tax and other advisors to determine the current status of this new definition and the two court cases.

1.18 Notices. We may give a notice or report to you or your beneficiary by mailing it to you or your beneficiary at the address last furnished to us. The notice or report is considered given when it is mailed by either an agent or us.

1.19 Agents. We may use agents to assist us in fulfilling our duties under this agreement. Such agents must abide by applicable federal privacy laws and our policies. Access to your personally identifiable financial information is limited to the employees of the agent who have been retained to enter data so that various IRS reporting forms and statements and other non-IRS reports and statements may be prepared.

1.20 Contribution Limitations and Procedures. For any tax year, we will only accept contributions to your SIMPLE-IRA which do not exceed the maximum annual dollar amount as permitted by federal law. Your contribution will be reported as a contribution for the year in which it is made, unless you clearly instruct us, in writing, that it is for the prior year. This procedural rule also applies to a direct deposit of your tax refund into your SIMPLE-IRA.

The contribution rules for SIMPLE-IRAs have been changed by the SECURE Act and the SECURE Act 2.0. They are complicated. We as the SIMPLE-IRA custodian are able to rely on the contribution information furnished to us either by yourself or the sponsoring employer. In section 5.2 of the Disclosure Statement there is a discussion of the SIMPLE-IRA contribution limits for 2024 and 2025. These limits will; change in subsequent years because such limits are adjusted by a cost of living formula.

1.21 Fees. You agree to pay us the fees specified in our current schedule of fees, if any, for establishing, maintaining and administering your SIMPLE-IRA. We may replace or change our fee schedule at any time, upon giving you 30-days' written notice. You hereby authorize us to deduct these fees from your SIMPLE-IRA assets and to surrender or sell such SIMPLE-IRA assets at our discretion to pay any fee of which you have been notified, and which remains unpaid 30 days thereafter. However, in the case of an administrative fee, we will allow you to pay such fee with non-SIMPLE-IRA funds, but we have no duty to inform you of this option other than herein.

If your SIMPLE-IRA is escheated to a state we will have the discretion to charge a $50 fee. In addition, we will have the discretion to charge a $50 fee if we use the IRS missing person programs or similar programs to find you or your beneficiary or to try to find you or a beneficiary. If state law does not permit such fee or fees, then these fees shall not apply. You expressly authorize us to use the IRS' program if we have not had contact with you for a period of 12 months.

1.22 Termination and Resignation as Custodian. We may resign or terminate our position as custodian of your SIMPLE-IRA at any time by giving you written notice. You may then instruct us in writing to transfer your SIMPLE-IRA assets to another SIMPLE-IRA custodian if done within 30 days of our written notice. If you fail to so instruct us in writing within 30 days of our written notice, the SIMPLE-IRA assets will be paid to you by mailing a check to you or by depositing such funds into a non-SIMPLE-IRA checking account or savings account which you maintain with us. In addition, if you do not maintain such a non-SIMPLE-IRA checking or savings account, then you hereby grant us the authority to establish a non-SIMPLE-IRA savings account to receive this transfer.

1.23 Amendments. We may amend this agreement at any time in order to meet the requirements of the tax laws or regulations. We will send you a copy of any such amendment. You also agree that we may amend any provision of Article VIII and it will become effective 30 days after it is mailed to you or your beneficiary.

1.24 Good Faith Payments. We are not liable for any payments we make in good faith. We can rely fully on any information or direction you give us or on any document which we believe sufficient to determine a person's identity. We can rely on the latest beneficiary form in our possession. We may presume that a beneficiary is fully competent until we are told otherwise. If a beneficiary is a minor or is incompetent, we may make payments to the beneficiary's legal representative, or to the person with whom the beneficiary resides or to the beneficiary directly, notwithstanding state law to the contrary.

1.25 Withholding Payments and Resolution of Disputes. We shall have the right to withhold payments from your SIMPLE-IRA assets if there is any dispute or uncertainty with respect to these assets. For example, disputes could arise in a divorce situation, or different individuals could claim that they were entitled to be paid as your beneficiaries. This right of ours to withhold payment is expressly authorized until the dispute or uncertainty is settled to our satisfaction by all of the parties. We shall have the right (but not the duty) to request a judicial determination as to ownership of the assets at any time from a Court of law. The Court's determination shall be binding upon us, you and all persons claiming an interest in the assets. You expressly authorize and agree that we have the right to be paid (i.e. deduct) from your SIMPLE-IRA assets any fees and expenses including but not limited to legal and accounting fees, whether internal or external, associated with resolving any dispute.

1.26 Legal Claims Against Your SIMPLE-IRA. We will attempt to notify you if we are served with any type of legal process which affects or might affect your SIMPLE-IRA. The provisions of section 1.25 will apply to this situation except rather than request a judicial determination as to the ownership of the assets there would be a request to determine the validity of the legal process against your SIMPLE-IRA assets. Your SIMPLE-IRA will be responsible for all fees and expenses associated with responding to the legal process claim.

1.27 Blank.

1.28 Authority to Deduct Taxes. In our sole discretion, you authorize us to deduct and pay from your SIMPLE-IRA assets the amount necessary to pay any and all taxes which relate to this SIMPLE-IRA for which it may be liable.

1.29 Express Duty to Notify Us When You Become an Expatriate. You acknowledge that you have the express duty to notify us (your IRA custodian/trustee) of your expatriation date when you become an expatriate or covered expatriate. In general, an expatriate is either a United States citizen who has relinquished his or her citizenship or is a long term resident who ceases residence in the United States.

You agree to complete such administrative forms as we believe necessary. In our sole discretion, we will have the right to deduct and pay from your IRA assets any amount which reasonably might be owed to the United States Treasury regarding your expatriation. Refer to section 7.17 for a summary.

1.30 Power of Attorney. You may designate in writing one or more individuals to act as your power of attorney with respect to your SIMPLE-IRA. He or she will have the full authority to make contributions, take distributions and take other actions with respect to your SIMPLE-IRA on your behalf. There is one exception. He or she will not have the authority to name himself or herself as a beneficiary unless the power of attorney expressly grants this authority. You agree that this power of attorney continues in full force and effect even if you become incapacitated or unable to conduct your own affairs. You agree to assume all liability and responsibility for the acts of your power of attorney or for his or her failure to act. We shall have no liability for any loss of any kind incurred as a result of actions taken by your power of attorney. We shall have no duty or obligation to question any direction or instruction given by your power of attorney, including taking a distribution closing your SIMPLE-IRA. This written power of attorney shall be furnished to us while you are alive. We must find it acceptable. We may rely on your power of attorney designation until we have been notified in writing that you have either revoked or changed such power of attorney. If we have a valid tax or business reason, we may decline to follow a direction or instruction as given by your power of attorney. The power of attorney designation is revoked by your death. The power of attorney no longer has any power to act with respect to your SIMPLE-IRA once you die. You agree to inform your power of attorney that he or she has the duty to inform us in writing of your death, if he or she has knowledge of your death. We are not liable for the acts of your power of attorney after your death unless we have received written notification of your death.

1.31 Required Information to Open this SIMPLE-IRA. When opening a SIMPLE-IRA or any other banking account, you are required to provide your name, address of residence, date of birth, and your social security number or other tax identification number. We may ask for additional information to allow us to verify your identity. These requirements are designed to allow a financial institution to participate in the public policy goal of allowing the government to effectively fight the funding of terrorism and money laundering activities.

1.32 Effective Date. The effective date of this SIMPLE-IRA plan agreement is the date that the SIMPLE-IRA custodian signs or accepts the SIMPLE-IRA application of the depositor.

1.33 Counterparts. The SIMPLE-IRA application may be signed in any number of copies, each one shall be deemed to be an original even though the other copies are not available.

1.34 Withholding of State Income Tax. If you are a resident of a state which has income tax laws, then we will withhold income tax for such state if we are required by law to do so or if we choose to do so. In general, we will withhold income tax for a state only if we have the minimal contacts with such state so we are required to do so.

1.35 Notice and Address Change. You and your beneficiaries must deliver or mail any required information to our office unless we ask that you send it elsewhere. Any notice or election is effective only upon actual receipt. You or your beneficiaries must notify us of any change in address.

2. General Provisions and Special Law Changes

2.1 Entire Agreement/Reproductions. This agreement is made up of two documents: (1) the application form and (2) the IRS model Form 5305-S plan agreement along with Article VIII. You and we have received or retained a copy of these documents. You also acknowledge the fact that we have given you a SIMPLE-IRA disclosure statement. A copy of these documents shall be admissible in evidence in any judicial or administrative proceeding as if they were originals. This agreement contains the entire agreement of the parties. It may not be changed orally; you and we must agree to any changes according to the procedure set forth in Section 1.23.

2.2 Controlling Law. The laws of the state in which our principal office is located will govern this agreement for purposes of the relationship between us (i.e. the SIMPLE-IRA custodian and the SIMPLE-IRA accountholder or the inheriting beneficiary). However, if controlling law must be determined for another reason, then the laws of the state of the accountholder's domicile shall govern this agreement.

2.3 Waiver of a Breach and Severability. Your waiver or our waiver of a breach of any provision of this agreement by the other party shall not operate or be construed as a waiver of any subsequent breach. If any provision of this agreement is held to be illegal or nonenforceable, the remaining provisions shall be construed as if that provision had not been included.

2.4 Privacy Policies. We will furnish you our privacy policies as required by applicable banking laws. We hereby incorporate into this Agreement the terms of our Privacy Policies.

2.5 Various Contribution Amounts, Income Limits and Limits Relating to the Saver's Tax Credit are to be Adjusted for Cost of Living Beginning, in General, in 2007, as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize these adjustments. These changes are discussed in the Disclosure Statement.

2.6 Special Plan Agreement Change Authorizing SIMPLE-IRA Funds to be Transferred Tax-Free to Health Savings Accounts. On or after January 1, 2007, a person who is eligible to make an HSA contribution, who has funds within a certain SIMPLE-IRA may make a special election once during their lifetime to transfer a certain amount from their SIMPLE-IRA to their HSA. This type of special transfer is called a qualified HSA funding distribution. Such an election, once made, is irrevocable. The amount transferred in such a direct trustee-to-trustee transfer will be excluded from your income. This transfer is only permissible if the two year requirement has been met.

A person will be able to transfer SIMPLE-IRA funds to his or her HSA only if the SIMPLE is not an "on-going" plan. That is, the transfer is permissible as long as the employer has not made an employer contribution for the plan year ending with or within the SEP-IRA or SIMPLE-IRA owner's tax year.

2.7 Special Plan Agreement Changes Authorizing Tax-Free Charitable Distributions. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits relating to tax-free charitable distributions. These changes are discussed in the Disclosure Statement.

2.8 Special Plan Agreement Changes for the IRA Law Change Made by the Heroes Earned Retirement Opportunities Act. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits allowed under the Heroes Earned Retirement Opportunities Act. These changes are discussed in the Disclosure Statement.

2.9 Special Plan Agreement Changes for the IRA Law Changes Affecting Certain Reservists as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits relating to certain reservists. These changes are discussed in the Disclosure Statement. In general, certain reservists are entitled to recontribute funds during a 2-year time period. The standard 60-day rollover period will not apply.

2.10 Special Plan Agreement Changes for the SIMPLE-IRA made by the Protecting Americans From Tax Hikes Act of 2015. Notwithstanding the limit set forth in Article I that no contributions other than a rollover or transfer from another SIMPLE-IRA of the participant may be made, it is expressly authorized that as of December 19, 2015 a SIMPLE-IRA may accept rollover or direct rollover contributions arising from distributions from 401(k) plans, 403(b) plans, 457(b) plans and certain other qualified plans and also traditional IRAs and SEP-IRAs. Such contributions can only be made after the 2-year period described in section 72(t)(6) has been met.

2.11 Special Plan Agreement Changes for Laws Enacted in 2017 Relating to Certain 2016/2017 Hurricanes And other Federally Declared Disasters. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits made by the Tax Cuts Act and the Disaster Tax Relief and Airport and Airway Extention Act of 2017. These changes are discussed under section 4.5.I of the Disclosure Statement. One of the primary changes is, a qualified individual is authorized to roll over a qualified hurricane disaster distribution within a 3-year time period rather than the standard 60 days as set forth in the Internal Revenue Code sections referenced in Article I.

2.12 Special Plan Agreement Changes for IRA Laws Enacted By The Tax Cuts Act As Signed Into Law By President Trump on December 22, 2017. To the extent necessary, the previous provisions are modified effective for tax years commencing after December 31, 2017. A person who makes a Roth IRA conversion in 2018 or subsequent years is unable to recharacterize it. And there is a new rollover rule for certain plan loan offset amounts. These changes are discussed in the IRA Disclosure Statement.

2.13 Special Plan Agreement Changes for IRA Laws Enacted By The Bipartisan Budget Act of 2018 as signed into law by President Trump on February 9, 2018. To the extent necessary, the previous provisions are modified effective for tax years commencing after December 31, 2017 to authorize the new rollover rule for an IRA owner who has had their IRA levied by the IRS and then the IRS has had to return some or all of the levied funds. Also victims of the California fires are to receive the special tax benefits as summarized in section 2.13. These changes are discussed in the IRA Disclosure Statement.

2.14 Special SIMPLE-IRA Plan Agreement Changes for SIMPLE-IRA Law Changes Enacted by the SECURE Act as incorporated into the Further Consolidated Appropriations Act of 2020 as signed into law by President Trump on December 20, 2019. To the extent necessary the preceding SIMPLE-IRA plan agreement provisions are modified to adopt the SIMPLE-IRA changes authorized by the Further Consolidated Appropriations Act of 2020. In general, these changes apply for tax year commencing after December 31, 2019. The following changes (and also others) are discussed in the SIMPLE-IRA Disclosure Statement. An individual with compensation regardless of age is eligible to makes a SIMPLE-IRA contribution. From 1975-2019 a person who attained age 70$^1/_2$ was required to take an RMD for the year he or she attained age 70$^1/_2$ and all subsequent tears as long as living. The 70$^1/_2$ age is changed to age 73. The rules applying to inherited IRAs have changed radically. In general, with respect to an IRA accountholder dying on or after January 1, 2020, a nonspouse beneficiary who is more than 10 years younger than the SIMPLE-IRA owner will have 10 years in which to close the inherited SIMPLE-IRA. The rules for spouse beneficiaries have not changed. These rules changes are complex and you will wish to discuss with your legal and tax advisers. There are two new exceptions to the 10% additional tax or the 25% additional tax of Code section 72(t), certain adoption and birth expenses and certain disaster distributions. There are special SIMPLE-IRA rules for contributions and distributions if you are eligible to use the disaster related rules.

2.15 Special IRA Plan Agreement Changes for IRA Law Changes as Enacted within the "CARES Act". "Coronavirus Aid, Relief and Economic Security Act" on Friday, March 27, 2020. To the extent necessary the preceding IRA plan agreement provisions are modified to adopt the IRA changes authorized by the CARES Act, In general. these changes apply for the tax year commencing after December 31, 2019. The following changes are discussed in the IRA Disclosure Statement. RMDs for 2020 were waived for both living IRA accountholders and beneficiaries. 2020 is not to be considered in applying the 5-year rule for a beneficiary using the 5-year rule when the IRA accountholder had died before January 1, 2020.

2.16. Special IRA Plan Agreement Changes. IRA Law Changes as enacted within the SECURE ACT 2.0 on December 23, 2022 as incorporated into the Consolidated Appropriations Act of 2023. To the extent necessary the preceding IRA plan agreement provisions are modified to adopt the IRA changes authorized by the SECURE Act 2.0. Some of the changes are effective for the 2023 tax year and some will be effective for the 2024 tax year. These changes are set forth in the IRA Disclosure Statement. These changes are incorporated by reference.

An employer within the SIMPLE-IRA document is able to define whether it will adopt the law change allowing an eligible individual to designate any contributions to be made to her or his SIMPLE-IRA as Roth contributions. This includes the employee elective deferral contributions or any contributions as made by the employer. There must be separate accounting for any Roth SIMPLE-IRA contributions.

2.17. IRS Issues Guidance For SIMPLE-IRA Plans In Notice 2024-02. On December 20, 2023 the IRS issued guidance regarding various law changes in the SECURE Act 2.0 impacting SIMPLE-IRA plans. Some of these changes are effective for the 2023 tax year. There are three sections within SECURE Act 2.0 with law changes for SIMPLE-IRA plans. These are sections 116/117, 601 and 332. These changes are discussed in section 9 of the SIMPLE-IRA Disclosure Statement and are incorporated by reference.

2.18 The IRS adopted its final regulation on required minimum distributions on July 19, 2024. Those rules applying to IRAs are incorporated by reference into this plan agreement including the rule that a spouse beneficiary is able to elect for purposing of calculating his or her RMD that he or she is to be treated as an IRA accountholder rather than a beneficiary. Although we may work to assist a beneficiary, this final regulation and this IRA plan agreement adopt the approach that it is the duty of a beneficiary to comply with the beneficiary RMD rules.

The final RMD rules apply as of January 1, 2025. For years prior to 2023 a taxpayer is to apply the 2002 and 2004 final regulations and is to apply a reasonable good faith interpretation of the amendments made by the SECURE Act. For 2023 and 2024 a taxpayer is to apply a reasonable good faith interpretation of the amendments made by the SECURE Act 2.0.

Disclosure Statement

3.1 Introduction

This SIMPLE-IRA Disclosure Statement is an explanation of the rules which govern your SIMPLE-IRA because that is the type of IRA which you have established.

You have not established a Roth IRA, a Coverdell Education Savings Account or a traditional IRA. You would need to sign other special documents if you would like these special types of IRAs.

This summary or explanation of your SIMPLE-IRA is intended to be a nontechnical explanation. However, as with any plan or program created by the Internal Revenue Code, these rules are complicated. Note that this is a summary and you may well wish to conduct additional research. You are advised to always seek professional tax advice.

4.1 Revocation Procedure

Refer to Section 8.6.

5.1 An Overview of a SIMPLE-IRA

A Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) is a written arrangement (a plan) that allows an employer to make contributions for the retirement of its employees, without becoming involved in more complex retirement plans. An employer may establish a SIMPLE to be effective for 1997 and subsequent years.

A SIMPLE retirement account is a SIMPLE-IRA which meets special rules set forth in a new Code section 408(p). In general, it is only available to employers with 100 or fewer employees, who maintain no other type of retirement plan.

A SIMPLE has similarities to a 401(k) plan, but it is not a 401(k) plan. The basic concept is that an employee/participant will be eligible to contribute his/her own funds from his/her payroll or bonus, and that the employer will make matching contributions. Limits exist as to how much the employee may contribute (i.e. electively defer), and there are limits as to the matching contribution the employer must make.

An employee may elect to defer an amount not to exceed the amount set forth in the following table:

Tax Year	Contribution if Younger Than Age 50	Contribution if Age 50 or Over
2023	$15,500	$19,000
2024	$16,000	$19,500
	or $17,600	or $21,450
2025	$16,500	$20,000
	or $17,600	or $21,450
2026*	$17,500	$21,000
	or $18,500	or $22,500

*This limit may increase for 2026 and subsequent years because of a COLA adjustment.

Additional contributions to a SIMPLE-IRA plan (i.e. increased elective deferrals) will be permitted for individuals who attain age 50 before the close of the year. The amount which an employee defers must be expressed as a percentage of compensation. However, there is no limit with respect to this percentage. An employee may not defer more than the amount of his or her compensation.

The employer must match on a dollar-for-dollar basis what the employee has chosen to electively defer, up to 3% (or the applicable lesser percentage) of the employee's compensation. An employer may set its matching rate at as little as 1% of compensation if two requirements are met. First, the employer must notify the employees of the lower percentage within a reasonable amount of time before the 60-day "decision" period commences. Second, during any 5-year period, the actual annual percentage of the employer's match cannot be less than 3% for more than two of the five years considered in the calculation (current-year plus previous four years).

Any employee who was paid at least $5,000, as applicable, in compensation during two preceding years, and who is reasonably expected to receive at least $5,000 in compensation during the "upcoming" year, must be eligible to participate in the SIMPLE for the upcoming year. Compensation for an employee is defined to be the sum of his or her Form W-2 compensation plus any elective deferral amount. Self-employed individuals can participate in a SIMPLE. Compensation for a self-employed individual is defined to be his or her net earnings without regard to any contribution under the SIMPLE.

As of January 1, 2009, the term compensation also includes any differential wage payment. This is any payment made by an employer to an individual with respect to the time he or she is performing service in the uniformed services while on active duty for a period of more than 30 days and which represents all or a portion of the wages the individual would have received from the employer if he or she was performing service for the employer.

In order to have a SIMPLE-IRA plan, an employer must maintain either a Form 5305-SIMPLE or another plan document which meets the statutory requirements.

For an additional discussion of SIMPLE-IRA plans and SIMPLE-IRA accounts, you should refer to the copy of the 5305-SIMPLE, IRS Publication 590 or the summary discussion which the employer is required to furnish its employees, if applicable. SIMPLE plan contributions made by your employer may not be made to this SIMPLE-IRA since it is not written to accept such contributions.

5.2 SIMPLE-IRA Limits For 2024 and 2025. The SECURE 2.0 adopted a number of special provisions for participants of SIMPLE-IRA plans and 401(k) plans. This article discusses the special changes for SIMPLE-IRA plans.

For 2024 a person with sufficient compensation under the age of 50 is permitted to make elective deferrals of $16,000. If an employer has less than 25 eligible employees this limit is automatically increased to be $17,600.

For 2024 a person with sufficient compensation age 50 or older is permitted to make elective deferrals of $19,500. If an employer has less than 25 eligible employees this limit is automatically increased to be $21,450.

An employer with 25 or more eligible employees must amend its plan to allow the higher deferral amount and the employers matching contribution must be 4% of compensation or it must make a nonelective contribution of 3% of compensation.

For 2025 a person with sufficient compensation under the age of 50 is permitted to make elective deferrals of $16,500. If an employer has less than 25 eligible employees the $17,600 limit does not change or increase.

For 2025 a person with sufficient compensation age 50 or older age of 50 is permitted to make elective deferrals of $20,000. If an employer has less than 25 eligible employees the $21,450 limit does not change or increase.

An employer with 25 or more eligible employees must amend its plan to allow the higher deferral amount and the employers matching contribution must be 4% of compensation or it must make a nonelective contribution of 3% of compensation.

Commencing in 2025 a person age 60, 61, 62 or 63 may defer an alternative amount of $5,250 rather than the limit of $3,500 or the limit of $3,850 ($3,500 x 110%), This is not in addition, but is an alternative limit.

6.1 Statutory Requirements of a SIMPLE-IRA

6.2 Cash Contributions. Your SIMPLE-IRA contribution must be in cash unless it is a rollover contribution or a transfer contribution or a recharacterized contribution.

6.3 Contribution Limits. Your employer may make contributions on your behalf as authorized under the terms of the employer's SIMPLE plan as described in section 408(p). You may roll over or transfer funds to this SIMPLE-IRA from another SIMPLE-IRA established on your behalf. No other contributions are authorized.

6.4 Custodian/Trustee Requirements. The custodian or trustee of your SIMPLE-IRA must be a bank, trust company, savings and loan association, a federally insured credit union, or other person approved by the Secretary of the Treasury.

6.5 No Life Insurance. Your contributions or any funds in your SIMPLE-IRA cannot be invested in life insurance to any extent.

6.6 Nonforfeitable. Your contributions and SIMPLE-IRA funds are nonforfeitable.

6.7 Segregated Funds. Your SIMPLE-IRA funds must be kept separate from other property, although these assets may be combined with other property in a common SIMPLE-IRA trust fund.

6.8 Distributions which must be taken by Age 73. The following discussion is presented in question and answer format.

Why are there federal tax rules mandating required minimum distributions from a traditional IRA, SEP-IRA and SIMPLE-IRA? The primary purpose of a traditional IRA is to allow you and others to save for retirement and then use the funds for retirement and also to accumulate funds for a beneficiary. Therefore, the tax laws require an IRA accountholder to take a required minimum distribution (RMD). After the IRA accountholder dies, the beneficiary or beneficiaries will be required to take required distributions. There are specific formulas for determining how much must be withdrawn, and when. These amounts are called "required minimum distributions" (RMDs).

Congress in 1974 decided that the year a person attains age 70½ is a reasonable time to require a person to commence withdrawals from his or her traditional IRA, SEP-IRA or SIMPLE-IRA.

Congress and President Trump decided in December 2019 that the age 70½ requirement should be changed to age 72.

When did the new age 72 rule become effective? Due to the waiver, it became effective for 2021. Any person attaining age 72 in 2021 was required to take an RMD for 2021. Any person attaining age 72 in 2022 is required to take an RMD for 2022. The person's required beginning date is April 1, 2023.

When does the new age 73 requirement become effective? It is effective for 2023. Any person attaining age 73 in 2023 is required to take an RMD for 2023. The person's required beginning date is April 1, 2024. Note a person attaining age 72 in 2023 is not required to take an RMD for 2023.

What happens if I fail to withdraw the required minimum distribution? Current federal income tax law provides a penalty tax of 10% or 25% of the amount required to be distributed, but which was not.

What are the tax consequences of receiving an RMD? The general taxation rule for traditional IRAs will apply. A recipient (you or your beneficiary) will include the amount received in gross income for the year of receipt. You (or your beneficiary, if applicable) will pay taxes with respect to this amount at the marginal income tax rate which applies to you (or your beneficiary if appliable), unless a portion of the distribution is not taxable because it is comprised of basis.

Must I withdraw all of my money because I am 73, or may I withdraw IRA funds over a number of years? You are not required to withdraw all of your SIMPLE-IRA funds in one year. You are permitted to set up a distribution schedule over a number of years, as long as you take each year your RMD amount or a larger amount.

As long as your money is in your SIMPLE-IRA, it remains tax deferred, as do any earnings. By using periodic payments over a number of years, you spread your income out over the Payment schedule and typically will pay less tax.

3.8 RMDs for Accountholders

What is the basic RMD calculation? There are actually two formulas which must be used to calculate the RMD amount. The RMD equals the SIMPLE-IRA's balance as of the preceding December 31, divided by the distribution period set forth in the Uniform Lifetime Table or the Joint and Last Survivor Table.

Formula #1

$$\text{RMD} = \frac{\text{Account Balance}}{\text{Period from Uniform Lifetime Table}}$$

Formula #2

$$\text{RMD} = \frac{\text{Account Balance}}{\text{Period from Joint Lives Table}}$$

The account balance of the IRA as of December 31 of the previous year is adjusted for outstanding rollovers and transfers.

For example: the fair market value of your IRA as of 12/31/23 is $15,000. Your age is 77 in 2024. The divisor from the Uniform Lifetime Table is 21.2. Your required minimum distribution for 2024 is $15,000/21.2, or $707.55.

Do all distributions count towards satisfying the RMD amount? Almost all distributions do count, even the distribution of nondeductible contributions are counted. However, "corrective distributions" pursuant to Code section 408(d)(4), 408(d)(5), 408(k)(6)(C) or similar items defined do not reduce the RMD amount.

What "age" is used to determine the distribution period (i.e. life-expectancy factor) for the first year? The age to be used is the age you attain as of December 31.

Has the IRS issued a final regulation updating the life expectancy tables? Yes. On November 8, 2020, the IRS issued new tables which update the life expectancy and distribution tables used for purposes of determining minimum required distributions. These updated tables apply now.

What is the Uniform Lifetime Table? It is the table which the IRS has instructed be used for determining the distribution period for lifetime distributions to an IRA accountholder when his or her spouse is either not the sole designated beneficiary, or is the sole beneficiary, but is not more than 10 years younger than the accountholder. This is a joint life-expectancy table created by the IRS using the age of the IRA accountholder and a hypothetical beneficiary who is 10 years younger than the accountholder.

Uniform Lifetime Table

Age of IRA Account-holder	Distribution Period (in years)	Age of IRA Account-holder	Distribution Period (in years)
72	27.4	97	7.8
73	26.5	98	7.3
74	25.5	99	6.8
75	24.6	100	6.4
76	23.7	101	6.0
77	22.9	102	5.6
78	22.0	103	5.2
79	21.1	104	4.9
80	20.2	105	4.6
81	19.4	106	4.3
82	18.5	107	4.1
83	17.7	108	3.9
84	16.8	109	3.7
85	16.0	110	3.5
86	15.2	111	3.4
87	14.4	112	3.3
88	13.7	113	3.1
89	12.9	114	3.0
90	12.2	115	2.9
91	11.5	116	2.8
92	10.8	117	2.7
93	10.1	118	2.5
94	9.5	119	2.3
95	8.9	120	2.0
96	8.4		

What life-expectancy table is used if the Uniform Lifetime Table is NOT used? It is the Joint and Last Survivor Table. You may find it in IRS Publication 590-B or in the final RMD regulation. The only time this table is used is if your spouse is your sole beneficiary at all times during the distribution calendar year and he or she is more than 10 years younger than you are.

When is the determination made that my spouse is my sole beneficiary and is more than 10 years younger? It is made on January 1 of each required distribution year.

What happens if there is a change in my marital status after January 1? If your spouse would die after January 1, or you become divorced after January 1, you will still be treated as married for such year. However, you would not qualify to use the Joint Table for subsequent years unless you would re-marry and qualify again under the special rule.

What happens if I designate a beneficiary other than or in addition to my spouse who had been my sole beneficiary during the distribution calendar year? The RMD amount will need to be redetermined and it will be a larger amount, using the Uniform Lifetime Table.

What is my required beginning date? Your required beginning date is April 1 of the year following the year in which you reach age 73.

If my first distribution has to be withdrawn by April 1 of the year after the year I reach age 73 as applicable, when do I have to take additional distributions? The distribution for the second year and every subsequent year must be made by December 31 of such year. The deadline for subsequent distributions is December 31 of each subsequent years.

May I withdraw more than my required minimum distribution? Yes, you are always able to withdraw more, but only to the extent of your IRA account balance.

Must the distribution schedule I establish also be the same as my required minimum distribution schedule? No. The rule is that the amount distributed each year must always equal or exceed your RMD amount for such year.

Am I required to take a minimum distribution from each IRA I have? No. The minimum distribution amount must be calculated separately for each IRA you have. Under the final RMD rules, the IRA custodian must determine your RMD if you request it. However, you do not have to take a distribution from each IRA, as long as you satisfy the total minimum distribution amount from at least one IRA.

Example: Roberta is age 76 (distribution period of 22.0) in 2024, and she has four IRAs at four different IRA custodians:

IRA Custodian	IRA Balance	RMD Amount
First Bank	$5,000.00	$227.27
First Brokerage	$15,000.00	$681.82
Second Bank	$30,000.00	$1,363.64
Second Brokerage	$20,000.00	$909.09
Aggregate RMD TOTAL		$3,181.82

Roberta can take the $3,181.82 from the first IRA, the second IRA, the third IRA, the fourth IRA or in any combination, as long as she satisfies her required minimum distribution of $3,181.82. If Roberta withdraws $3,181.82 from the IRA at First Bank, then she should inform the other three custodians in writing that she has satisfied her RMD requirement by withdrawing funds from the IRA at First Bank.

Only the RMDs of "like-kind" IRAs may be aggregated for purposes of this special distribution rule.

Examples of "like-kind" IRAs:

1. Traditional IRAs, SIMPLE-IRAs and SEP-IRAs of a person;
2. Traditional IRAs of a person who holds them as a beneficiary, as long as related to the same deceased IRA accountholder (i.e. an inherited IRA); and
3. Roth IRAs of a person who holds them as a beneficiary of the same deceased Roth IRA accountholder (i.e. an inherited Roth IRA).

A distribution from an IRA which is not of the same type may not be used to satisfy the RMD requirement of another type of IRA. For example, if John Doe inherits two traditional IRAs from his dad and one traditional IRA from his mom, then he may aggregate the two IRAs he inherited from his dad, but he may not aggregate these two with the inherited one from his mom.

Traditional IRAs, Roth IRAs, and section 403(b) plans are three different types, so the three may not be aggregated. This special aggregation rule does not apply to distributions from Qualified Plans. There must be a separate distribution from each qualified plan, and a distribution from an IRA can never be used to satisfy an RMD for a QP, or vice versa.

What rules apply if I wish to roll over funds from an IRA to a different IRA? Are there any special RMD rules with which I must comply? Yes. The rules applying to rollovers have not changed. A person is ineligible to roll over an RMD. If one does, then it will be an excess contribution.

The IRS rules provide that the first money out of your IRA for a given year is defined to be your required distribution for such year, until your requirement is met. Therefore, if you were to take a distribution early in the year, thinking you could roll it over and later take your RMD amount, the IRS would consider the distribution to be your RMD amount, and rolling over an RMD amount is not permissible.

What rules apply if I wish to transfer funds from an IRA to a different IRA, and am I required to take a required distribution if I have not yet done so? You may transfer your entire IRA balance (including any RMD for such year) from one IRA to another IRA. You must be aware that the two IRA custodians (i.e. sending and receiving) are not responsible to redetermine your RMD amount just because you transfer funds out of their IRA or transfer funds into their IRA. This means that you, the accountholder, will be responsible to make sure that you withdraw your RMD.

What is an RMD Notice? Every IRA custodian or trustee is required to send you an RMD notice by January 31 of each year informing you what your required distribution amount is for each IRA which you maintain with such IRA custodian or trustee. The annual RMD notice must also inform you of your deadline for taking your RMD. Alternatively, the IRA custodian must advise you that you must take an RMD with respect to a specific IRA plan agreement, inform you of your deadline, offer to calculate the RMD upon your request, and then, if requested, calculate the RMD and provide it to you. The IRA custodian may choose to inform you that you do not need to take a distribution from that specific IRA as long as you were using the alternative certification method and take the RMD amount for that IRA from another IRA plan agreement.

Is my IRA custodian required to give the IRS any information about my RMD? Yes. The IRA custodian must, on an annual basis, indicate on the Form 5498 if an RMD is required. At the present time, the IRS is not requiring that the actual RMD amount be reported to the IRS.

What is an IRA qualified longevity annuity contract (IRA QLAC)? It is a special type of annuity sold by an insurance company which you may wish to consider as an IRA investment when you are subject to the required distribution rules. In July of 2014 the IRS adopted a final regulation authorizing qualified longevity annuity contracts (QLAC) for traditional IRAs, SEP-IRAs and SIMPLE-IRAs. In general, IRA funds invested in a QLAC not in payout status are exempt from the current year's RMD calculation. The SECURE Act 2.0 repeals the current 25% limit and allows a person to have 100% of their IRA funds invested in a QLAC. Current law limits a person to having $135,000 invested in a QLAC. This has been increased to $200,000.

6.9 RMDs for Beneficiaries. See Section 8 for a comprehensive discussion.

7.1 Federal Income Tax Consequences.

7.2 Contribution Limits. Refer to Section 5.1 for a discussion of these limits.

7.3 Permissible Types of Contributions and Effects of Contributions. Because this is a SIMPLE-IRA, the only permissible contributions are qualifying SIMPLE contributions. A contribution to a SIMPLE-IRA is a qualifying one if the employer has made it pursuant to a qualifying SIMPLE-IRA plan or if it is a rollover or transfer from another SIMPLE-IRA to this SIMPLE-IRA.

SIMPLE-IRA contributions are made by your employer and therefore you do not claim a tax deduction for the contribution. However, special rules apply for self-employed individuals.

The contributions which may be made to a traditional IRA may not be made to this SIMPLE-IRA. Spousal contributions may not be made. SEP contributions may not be made.

As of December 19, 2015, SIMPLE-IRAs may accept rollover contributions arising from distributions from 401(k) plans, 403(b) plans, 457(b) plans and certain other qualified plans and also a traditional IRA and a SEP-IRA. Such contributions can only be made after the 2-year period described in section 72(t)(6) has been met. For example, funds now in a 401(k) plan may be rolled over into a SIMPLE-IRA if the 2-year requirement has been met or funds in a traditional IRA may be rolled over into a SIMPLE-IRA if the 2-year requirement has been met. This new rule applies to contributions made after December 18, 2015 which is the date President Obama signed into law the Protecting Americans From Tax Hikes Act of 2015.

If contributions are made to your SIMPLE-IRA, then you will be considered to be an active participant for purposes of applying the MAGI limits for determining whether or not you will be able to claim a tax deduction for your contribution to a traditional IRA.

7.4 Establishment and Contribution Deadline. You are able to establish a SIMPLE-IRA on or before April 15 of the following tax year unless the 15th falls on a Saturday or Sunday or there is a holiday recognized for federal income tax purposes. In some years the Emancipation Day holiday as recognized in Washington D.C. will result in the filing deadline occurring on a day after April 15.

There are special disaster related tax rules arising from federally declared disasters. These special rules may modify the IRA contribution deadline in certain situations. These rules are briefly discussed later in this SIMPLE-IRA Disclosure Statement. You will want to consult with your tax adviser regarding these special rules.

Electronic Contribution of Federal Tax Refund. The IRS has authorized a procedure to allow you to have all or a portion of your federal tax refund electronically deposited to your SIMPLE-IRA rather than to your checking or savings account. You will need to complete Form 8888 and attach it to your tax return. Such a contribution will be processed as a contribution for the current calendar year unless you designate it in writing as being for the prior tax year.

7.5 Credit for SIMPLE-IRA contributions and salary reduction contributions. If you are an eligible individual, you may be able to claim a credit for a percentage of your deferrals.

You must meet the following five requirements in order to claim this credit for any given year.

A. Be at least 18 years of age as of December 31 of such year

B. Not be a dependent on someone else's tax return

C. Not be a student as defined in Internal Revenue Code section 25B(c)

D. Have adjusted gross income under certain limits which are based on your filing status. See the limit charts.

E. Must not have received certain distributions which disqualify you from claiming the credit, or certain distributions which were made to your spouse.

The maximum contribution amount allowed to be used in calculating this credit is $2,000, even though you may have contributed more than that amount to your SIMPLE-IRA.

A formula is used to calculate the amount of your credit.

This formula is complex, since it requires you to reduce your qualifying contributions by the amount of certain distributions — even by the amount of certain distributions to your spouse, if you are married.

The formula to be used is:

Contributions - Certain Distributions x Applicable % = Credit

Contributions equal the sum of contributions to a traditional IRA, contributions to a Roth IRA, elective deferrals to a 401(k) plan, elective deferrals under a section 457 plan, and certain voluntary employee contributions. This total contribution amount must be reduced by certain distributions which occur during a testing period. The testing period for a tax year is comprised of the current tax year, the two preceding tax years, and the carry-back period for such tax year (i.e. January 1 to April 15), plus extensions.

Therefore, the total contribution amount must be reduced by any distribution amounts paid to you or your spouse during the above-described period from a section 401(a) plan, 401(k) plan, section 402(a) plan, section 457 plan, a traditional IRA, or a Roth IRA, which are not rolled over. However, a technical correction was enacted to make clear that a reduction in the allowable credit will not be required for that portion of any distribution which is not includable in gross income by reason of a trustee-to-trustee transfer of a rollover distribution.

Saver's Credit Limits for 2025

The applicable percentage for 2025 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$47,500	50%
$47,500	$51,000	20%
$51,000	$79,000	10%
$79,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$35,625	50%
$35,625	$38,250	20%
$38,250	$59,250	10%
$59,250	N/A	0%

Other Filers Including Married Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$23,750	50%
$23,750	$25,500	20%
$25,500	$39,500	10%
$39,500	N/A	0%

Saver's Credit Limits for 2026

The applicable percentage for 2026 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$48,500	50%
$48,500	$52,500	20%
$52,500	$80,500	10%
$80,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$36,375	50%
$36,375	$39,375	20%
$39,375	$60,375	10%
$60,375	N/A	0%

Other Filers Including Married Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$24,250	50%
$24,250	$26,250	20%
$26,250	$40,250	10%
$40,250	N/A	0%

Special Alert. Commencing in 2027, there will be an important change with respect to this credit. Rather than the credit being able to reduce the amount of tax you currently owe, the credit amount will be required to be contributed your IRA.

7.6 Deferred Taxation. Your SIMPLE-IRA funds (whether contributions or related earnings) are not taxed until actual distribution unless (1) you engage in a prohibited transaction, (2) you invest in collectibles, (3) your contribution is nondeductible, (4) you pledge your SIMPLE-IRA as security, or (5) you engage in a trade or business with these funds so that the unrelated business income tax imposed by Internal Revenue Code section 511 applies. If you engage in a prohibited transaction at any time during the year, your SIMPLE-IRA funds will be treated as if they were distributed on January 1 of that year. IRC section 4975 names the prohibited transactions. Some examples: (1) borrowing from your SIMPLE-IRA; (2) selling property to your SIMPLE-IRA; (3) using your SIMPLE-IRA as security for a loan; or (4) receiving unreasonable compensation for managing your SIMPLE-IRA. If any of your SIMPLE-IRA funds are invested in collectibles after 1981, the amount invested is considered distributed to you in that year. Collectibles include tangible personal property such as artwork, rugs, antiques, metals, gems, coins, alcoholic beverages, etc. Exception #1: SIMPLE-IRA funds may be invested in certain gold, silver, and platinum coins issued by the United States. Exception #2: SIMPLE-IRA funds may be invested in any coin issued under the laws of any state. Exception #3: After December 31, 1997, a SIMPLE-IRA may purchase certain gold, silver, platinum or palladium bullion. Such bullion must be in the physical possession of the SIMPLE-IRA Trustee or Custodian. Such bullion must be of a fineness that a contract market requires for metals which may be delivered in satisfaction of a regulated futures contract.

7.7 Federal Estate and Gift Taxes. You should consult with your attorney to determine to what degree the federal estate and gift tax laws apply to your IRA. In general, these laws do apply to IRAs. IRC sections

2039(c) and 2517, however, provide limited exceptions so that certain IRA transactions will not be subject to federal estate or gift taxes. For example, no federal gift tax has to be paid when you name a beneficiary or when the funds are paid to the beneficiary after your death. In general, IRA funds are includable in the computation of federal estate taxes.

The Tax Cuts and Jobs Act of 2017 has greatly expanded the federal estate tax exemption. For 2018-2025 the law provides an estate tax exemption for an individual of $10,000,000. This is twice the $5,000,000 limit (as COLA adjusted) which will apply in 2026. This amount is adjusted annually pursuant to a COLA adjustment. The exclusion amount for 2024 is $13,610,000. The exclusion amount for 2025 is $13,990,000. In general, a married couple is able to exclude 27.20 million from federal estate tax for 2024 and 27.98 million for 2025.

The IRS has furnished guidance by issuing a final regulation that there will be no claw back of large gifts, including IRA gifts, made before 2026.

The final regulation provides that the credit to be claimed on the estate's return is the larger of the exclusion amount as in effect on the decedent's date of death or the exclusion amount to be used to determine the gift tax payable. This means the decedent's estate is not inappropriately taxed with respect to gifts made when exclusion amount was greater.

7.8 Distributions and Deemed Distributions

7.8.A In General. For SIMPLE-IRA purposes a distribution is defined to be a removal of funds or property from a SIMPLE-IRA which is actually paid to you or your beneficiary or which is transferred to another qualifying SIMPLE-IRA or inherited SIMPLE-IRA.

A distribution will either be fully taxable, partially taxable or will not be taxable because all, some or none of the amount distribution will be required to be included in income for federal income tax purposes.

A deemed distribution occurs when you designate certain SIMPLE-IRA contributions to be a Roth SIMPLE-IRA contribution rather than a standard SIMPLE-IRA contribution. No actual distribution occurs.

7.8.B Tax Treatment of Distributions. Any money or property that you receive from your SIMPLE-IRA is a distribution. The standard IRA distribution taxation rules apply to distributions of SIMPLE-IRA funds. All funds within traditional IRAs, SEP-IRAs and SIMPLEs must be aggregated for purposes of applying the distribution taxation rules. The **general rule** is that any distribution is included in the gross income of the recipient in the year received. The favorable ten-year averaging or capital gain provisions of IRC section 402 do not apply. If you have made nondeductible contributions, then a portion of the distribution will not be taxable as determined by applying the rules of IRC section 72 as modified by some special SIMPLE-IRA rules. See IRS Publication 590.

General Rule. Distributions from your SIMPLE-IRA may be fully or partly taxable, depending on whether your IRAs include any nondeductible contributions or other basis.

Fully taxable. If only deductible contributions were made to your traditional IRA (or IRAs, if you have more than one), you have no basis in your IRA. Because you have no basis in you IRAs, any distributions are fully taxable when received.

Partly taxable. If you made nondeductible contributions to any of your traditional IRAs, you have a cost basis (investment in the contract) equal to the amount of those taxed contributions. These nondeductible contributions are not taxed when they are distributed to you. They are a return of your investment in your IRA.

Only the part of the distribution that represents nondeductible contributions (your cost basis) is tax-free. If nondeductible contributions have been made, distributions consist partly of nondeductible contributions (basis) and partly of deductible contributions, earnings, and gains (if there are any). Until all of your basis has been distributed, each distribution is partly nontaxable and partly taxable.

Form 8606. You must complete Form 8606, and attach it to your return, if you receive a distribution from an IRA and have ever made nondeductible contributions to any of your traditional IRAs. Using the form, you will figure the nontaxable distributions and your total IRA basis.

Note. If you are required to file Form 8606, but you are not required to file an income tax return, you still must file Form 8606. Complete Form 8606, sign it, and send it to the IRS at the time and place you would otherwise file an income tax return.

In addition, see the discussion of the special rules which apply if you convert your funds from this SIMPLE-IRA to a Roth IRA.

7.8.B.1 A Understanding the Tax Consequences of Designating a SEP-IRA Contribution or a SIMPLE-IRA Contribution as a Roth SEP-IRA or a Roth SIMPLE-IRA Contribution. When you designate a SEP-IRA contribution as a Roth, that contribution is included in your income because it was deemed you were paid that amount and you then converted it to be a Roth. The IRA custodian/trustee will prepare a Form 1099-R for this deemed distribution showing that it is taxable income.

With respect to a SIMPLE-IRA if you able to make Roth elective deferral contributions then you may instruct that the employer's matching contribution, the nonelective contribution or any additional contribution is to be a Roth. Your employer will handle the tax reporting of your Roth elective deferrals. However, when you designate the employer's matching contribution, the employer's nonelective contribution or any additional contribution as a Roth contribution, then the IRA custodian/trustee is to prepare a Form 1099-R for any deemed distribution showing that it is taxable income.

You most likely will want to consult with your tax adviser or your employer to confirm that there is the proper tax treatment of the contributions.

7.8.B.2 A Tax to Consider Before Withdrawing IRA Funds. Effective as of January 1, 2013, a new 3.8% tax went into effect. The IRS has chosen to call this tax, the Net Investment Income Tax.

This 3.8% tax applies to certain individuals having net investment income and certain estates and trusts having net investment income. To determine the tax owing, a person will multiply 3.8% time the lesser of: (1) his or her net investment income (NII) or a person's modified adjusted gross income as reduced by a threshold amount as set forth in the following table:

Filing Status	Threshold Amount
Married filing jointly	$250,000
Married filing separately	$125,000
Single	$200,000
Head of household (with qualifying person)	$200,000
Qualifying widow(er) with dependent child	$250,000

This tax will be owed only if an individual has net investment income and his or her modified adjusted gross income exceeds the applicable threshold amount.

<u>The new tax means an individual before taking an IRA distribution will want to determine if he or she will have to pay the 3.8% tax on account of such distribution.</u> For most people and situations, a person will not owe the 3.8% tax on account of his or her IRA or pension distribution, but in some situations the tax would be owed.

There will be times, however, when a person’s IRA distribution will mean the individual will have to pay the 3.8% tax on account of the IRA distribution.

There will also be times when a person will take an IRA distribution and he or she will be required to pay the 3.8% tax, but the amount owed does not increase because of such IRA distribution.

What types of income are defined to be non-investment income?

Distributions from IRAs, pension plans, 401(k) plans, tax sheltered annuities, etc. are not investment income. Social security benefits are not investment income. Wages and income or profits from a nonpassive business including self-employment income are not investment income. Unemployment compensation and workers compensation are not net investment income.

What types of income are net investment income and so they might be subject to the 3.8% tax?

Investment income includes interest, dividends, gains from the sale of stocks, bonds, mutual funds, capital gain distributions from mutual funds, certain sales related to real estate, rental and royalty income, non-qualified annuities, income from businesses involved in trading of financial instruments or commodities, business income arising from certain passive activities, and the sale of an interest in a partnership and S corporations by an individual who had a passive interest. Such investment income is reduced by certain expenses properly allocable to the income. And any income or gain excluded from gross income for regular income tax purposes is also excluded from a person net investment income (e.g. $250,000 exclusion for sale of primary residence).

This new 3.8% tax is different from the new 9/10ths of 1 percent Additional Medicare tax which also went into effect on January 1, 2013.

If you have net investment income for a tax year, then you should review the IRS instructions for Form 8960, Net Investment Income Tax – Individuals, Estates and Trusts to determine if you are required to complete and file this form.

7.8.C Transfers. A transfer occurs when ownership of the SIMPLE-IRA funds or property is changed from one SIMPLE-IRA Custodian/Trustee on behalf of a SIMPLE-IRA depositor or beneficiary to a subsequent SIMPLE-IRA Custodian/Trustee on behalf of the same depositor or beneficiary. A transfer is not a reportable event to either the individual or the IRS because an actual payment has not been made. The following types of transfers may take place with respect to your SIMPLE-IRA: (1) you may transfer funds to another of your SIMPLE-IRAs; (2) your spouse who is your spouse beneficiary may elect to treat your SIMPLE-IRA as his or her own SIMPLE-IRA; (3) there may be a transfer of your SIMPLE-IRA funds to your spouse or ex-spouse, if pursuant to a court decree or property settlement or (4) there will be a transfer by operation of law from your SIMPLE-IRA to our beneficiary's inherited SIMPLE-IRA.

7.8.D Withholding. If you receive a SIMPLE-IRA distribution which is payable upon demand, the payer-Trustee will withhold Federal income tax at the rate of 10% unless you elect not to have any withholding or instruct to have a greater amount withheld. You use Form W-4P to instruct your Trustee that you do not want withholding.

7.8.E Discussion of the Special Rules Applying to Tax-Free Charitable IRA Distributions/Contributions. The federal income tax laws governing Qualified Charitable Distributions are now permanent.

The IRS has issued guidance that a qualified charitable distribution will count towards your required minimum distribution.

A qualified charitable distribution (QCD) is a non-taxable distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE-IRA) to an organization eligible to receive tax-deductible contributions. You must have been at least age 70½ when the distribution was made. Also, you must have the same type of acknowledgement of your contribution that you would need to claim a deduction for a charitable contribution. See Records To Keep in IRS Publication 526. Charitable Contributions. Your total QCDs of the year cannot be more than $100,000.If you file a joint return, your spouse can also have a QCD of up to $100,000. However, the amount of the QCD is limited to the amount of the distribution that would otherwise be included in income. If your IRA includes non-deductible contributions, the distribution is first considered to be paid out of otherwise taxable income.

What new QCD rule applies after 2019? Effective for QCDs made in 2020 and subsequent years, the QCD exclusion amount for the current year must be reduced by an amount (but not below zero) equal to the excess of: the aggregate of all deductions allowed for all tax years on or after attaining age 70½ over the aggregate amount of the QCD reductions for all tax years preceding the current year.

What new QCD rules were created by the SECURE Act 2.0? There are two changes to the QCD rules. The limits of $100,000 and $50,000 will be indexed for inflation. An eligible IRA accountholder or beneficiary is now allowed one time to make a QCD equal to $50,000 to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. The $100,000 limit for 2024 is $103,000 and is $105,000 for 2025. The $50,000 limit has been increased for 2024 to $53,000 and for 2025 to $55,000.

IRS Reporting Tasks for QCDs. There is no special reporting for QCDs by the IRA custodian. Many times IRA accountholders and their tax advisors think the IRA custodian should be preparing the Form 1099-R to show the distribution as being tax-free. This is not the IRS procedure. A QCD is to be reported as a "normal" distribution since you are older than age 59½. You will be required to complete lines 4a and 4b of your federal income tax return. The general rule is that most IRA distributions are fully taxable so line 4a is left blank and the taxable amount is inserted on line 4b. An exception applies to QCDs. If the total distribution is a QCD, enter 0 on line 4b and write QCD next to line 4b. If only part of the distribution is a QCD, enter the part that is not the QCD on line 4b. Enter QCD next to line 4b.

7.8.F Federal Income Tax Withholding. If you receive an IRA distribution which is payable upon demand, the payer-custodian will withhold federal income tax at the rate of 10%, unless you elect not to have any withholding or instruct to have a greater amount withheld. You use Form W-4R to instruct your custodian that you do not want withholding.

The standard withholding rules, as summarized above, apply fully to any distribution you take from your traditional IRA, even though you make a Roth IRA conversion contribution by rolling it over to a Roth IRA. Special withholding rules apply if you are a covered expatriate.

7.8.G Twenty-Five Percent Additional Tax for Certain SIMPLE-IRAs. If you receive a distribution on or after January 1, 1997, from your SIMPLE-IRA before you attain age 59½ or become disabled and before you have complied with the two-year requirement of Internal Revenue Code section 72(t)(6), you must pay an additional income tax equal to 25% of the amount distributed. You are disabled if you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that the condition has lasted, or can be expected to last, continuously for 12 months or more or that the condition can be expected to bring death. For more information, see IRS Publication 522 and Schedule R. This tax is in addition to any regular income tax. To satisfy the two-year requirement, your distribution must take place two years or more after the date you first commence participation in the related SIMPLE-IRA plan.

7.8.H Ten Percent Additional Tax. If you receive a SIMPLE-IRA distribution which must be included in your gross income before you attain age 59½ or become disabled, but after you have satisfied the two-year participation requirement, you must pay an additional tax equal to 10% of the amount distributed. This tax is in addition to any regular income tax due. A distribution made to your beneficiary(ies) at your death will not be subject to the 10% tax.

7.8.I Exception to Additional Taxes. The general SIMPLE-IRA taxation rule is that the SIMPLE-IRA distribution will be included in income and it will also be subject to an additional tax equal to 10% of the amount required to be included in income (but in some cases 25%) unless one of the exceptions applies.

The first exception is if you are age 59½ or over at the time of the distribution.

The second exception is if you are disabled. You are considered disabled if you can furnish proof that you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that your condition can be expected to result in death or to be of long continued and indefinite duration.

The third exception is if you die. Payments to a beneficiary are not subject to the 10% additional tax.

The fourth exception is for substantially equal periodic payments.The 10% additional tax will not apply if the distribution is part of a series of substantially equal periodic payments (not less frequently than annually) made for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your beneficiary. However, if this schedule is changed prior to the later of attaining age 59½ or the schedule being in effect for 5 years, then a new penalty tax will be imposed. This tax will be equal to the tax that would have been imposed had the "substantially equal" exception not applied (i.e. all previous distributions will be assessed the 10% tax plus an amount equal to the accrued interest).

The fifth and sixth exceptions are for certain distributions used to pay medical expenses or to pay certain health insurance premiums. The 10% additional tax will also not apply on or after January 1, 1997, in the case of certain distributions made for the payment of certain medical expenses and the payment of certain health insurance premiums. The additional 10% tax will not apply if the distribution is used to pay medical expenses that exceed 7.5% of your adjusted gross income. This means that the medical expenses must qualify as an itemized deduction on your federal income tax return. The 10% additional tax will also not apply to a distribution which is used to pay health insurance premiums in certain situations after you become unemployed. In order to qualify for this special rule, you must have been receiving unemployment benefits for at least 12 consecutive weeks. The distribution must occur in either the year you received the unemployment benefits or during the next tax year. This special rule no longer applies to distributions made once you have been reemployed for at least 60 days after your initial separation from service. You will qualify to use this unemployment exception even if you are self-employed, if you would have been eligible for unemployment benefits but for your self-employment.

The seventh exception is if the distribution is used to pay certain first-time home buyer expenses. This exception applies only to distributions occurring on or after January 1, 1998.

Qualified first-time home buyer distributions are distributions from a SIMPLE-IRA which are used to pay the qualified acquisition costs of the principal residence of the first-time home buyer.

The first-time home buyer can be you, your spouse or your child or grandchild, and any ancestor of you or your spouse. To qualify as a first-time home buyer, you, and if married, your spouse, must not have had any ownership interest in a principal residence for the two-year period ending on the date of acquisition of the principal residence being purchased under this exception. The date of acquisition is defined as the date a binding contract to purchase the residence is entered into, or the date on which construction or reconstruction of the residence begins.

Qualified acquisition costs include the cost of acquiring, constructing, or reconstructing a residence. The term also includes any usual and reasonable settlement, financing and closing costs. The funds that are distributed for the first-time home purchase must be used within 120 days after the day the funds were received to pay the qualified acquisition costs.

If the distributed amount is recontributed, i.e. rolled over, within the 120-day period, there will be no income tax or penalty tax consequences. Written documentation will be necessary to insure compliance with these rules. If the funds are not recontributed within this time period, the amount will be taxable and subject to the 10% premature distribution penalty if applicable.

Under this exception, you are limited to an aggregate amount of $10,000 for your lifetime. While you may be able to use this exception more than once in your lifetime, the total lifetime distribution that can fall under this exception is $10,000.

The eighth exception is if the distribution is used to pay certain higher education expenses. This exception applies only to distributions occurring on or after January 1, 1998.

Distributions made from a SIMPLE-IRA will not be subject to the 10% premature distribution penalty tax in 1998 if the funds are used to pay the qualified higher education expenses of yourself, your children or grandchildren.

Qualified higher education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution. This amount may also include, for students who are carrying at least one-half of the normal full-time course load, reasonable expense amounts incurred for room and board.

An eligible educational institution is generally any accredited college, university, junior college, community college or post-secondary vocational institution that is approved to participate in the Department of Education student aid programs.

The amount of educational expenses for which a distribution from a SIMPLE-IRA can be used and not be subject to the penalty under this exception must be reduced by the amount of any qualified scholarship, educational assistance allowance, or payment that is excludable from gross income.

The ninth exception is if the distribution has occurred because of an IRS levy. A state levy is not an exception.

The tenth exception is if the distribution is converted to a Roth IRA. Such conversion contribution may be accomplished either by making a special rollover contribution or a special transfer contribution to a Roth IRA.

The eleventh exception is that the 10% additional tax will not apply to certain military reservists. A military reservist called to active duty for 180 days or more on or after September 11, 2001, is not subject to the 10% premature penalty tax of Code section 72(t), as long as the distribution was or is made during his or her time on active duty.

The twelfth exception is that the 10% tax will not apply if you are a covered expatriate and you are deemed to have received a distribution of your entire IRA account under the special tax rules applying to expatriates.

The thirteenth exception is that the 10% tax will not apply if your distribution is on account of you being a victim of a qualifying hurricane or other federally declared disaster, including COVID-19.

The fourteenth exception is that the 10% tax will not apply if your distribution is used to make a qualified HSA funding contribution.

The fifteenth exception is that the 10% tax will not apply if your distribution is on account of the birth of a child or an adoption of a child.

There is a $5,000 aggregate limit. The actual language is, "The aggregate amount which may be treated as qualified birth or adoption distributions by any individual with respect to any birth or adoption shall not exceed $5,000." An individual may receive a qualified birth or adoption distribution of up to $5,000 with respect to the same child or eligible adoptee. If a person is related to multiple births or adoptions, the person may have a qualified birth or adoption distribution with respect to each child or eligible adoptee. If a person is married each parent may receive a qualified birth or adoption distribution of up to $5,000 with respect to the same child or eligible adoptee.

A qualified birth or adoption distribution means any distribution from an IRA or other applicable retirement plan to an individual as long as the distribution is made during the 1-year period beginning on the date a child of the individual is born or on the date the legal adoption of an eligible adoptee child is finalized. An eligible adoptee is any person who has not attained age 18 or any person who is physically or mentally incapable of self-support. A child of a taxpayer's spouse is ineligible to be an eligible adoptee.

The individual will need to complete their tax return to show there was a qualified birth or adoption distribution. The individual will do this by completing the applicable section of Form 5329 and claim exception to the 10% additional tax and attach it to his or her tax return. The individual must include the name, age, and the taxpayer identification number of the child or the eligible adoptee on their tax return for the tax year in which the distribution is made.

A taxpayer who has taken a qualified birth or adoption distribution may repay such distribution. A qualified repayment of a qualified birth or adoption distribution means the distribution is not taxable. The SECURE Act 2.0 clarifies that the repayment period is 3 years.

The sixteenth exception is that the 10% tax will not apply if your distribution relates to withdrawing an excess contribution and the related income. This is effective for 2023. It used to be this income was subject the 10% tax.

The seventeenth exception is that the 10% tax will not apply if your distribution is on account of domestic abuse. There is a limit of $10,000 or 50% of the account balance if the account balance was less than $20,000. Such a withdrawal could be rolled over under special rollover rules. Starts for tax year 2024.

The eighteenth exception is that the 10% tax will not apply if your distribution is on account certain emergency expenses. These expenses must be unforeseeable and/or creating an immediate financial need relating to a personal or family situation. A person is limited to withdrawing only one distribution per year of up to $1,000 for three years. The person is allowed to repay (i.e. rollover) the distribution within 3 years. If repayment occurs during the three year repayment period it appears there could be additional emergency distribution for tax year 2024.

7.8.J Special Rules Grant Tax Relief to Certain IRA Owners on Account of Certain Federally Declared Disasters. This tax relief can be very beneficial to an IRA owner in a disaster area or who has a certain relationship to the disaster area. In order to determine if you will qualify for this tax relief you should contact your tax adviser, review IRS guidance as published on the IRS website including Publication 976, the Form 8915 series of forms and other IRS guidance.

You must determine that you qualify for a disaster distribution. You qualify for a disaster distribution as long as you sustain an economic loss on account of the disaster. You may qualify regardless of your need or the actual amount of your loss.

Special Rules for Disaster Distributions. The concept of the law is - an IRA accountholder who suffers economic injury because of a federally declared disaster may benefit by being eligible to use special tax rules allowing them access to their IRA funds. This may help them recover from the disaster. FEMA defines when a federally declared disaster has occurred. The IRS publishes a list of the declared disaster on its website. Normally this is done for hurricanes, certain wildfires and other major storms. You definitely must discuss with your tax adviser or do your own research because the rules are complicated. Here is a short summary of the special rules. A special extended tax deadline may apply to the making of an annual or a rollover contribution. A person who takes a disaster distribution who is under the age 59½ does not owe the 10% additional tax. A person who takes a disaster distribution is allowed to have that distribution taxed over three years rather than just the current year. A person who has taken a disaster distribution is able to repay such amount over a three year period rather than the normal 60 day rollover period. A person should certify the distribution they are taking is a disaster distribution. The IRA custodian/trustee may, but is not required, to report it as reason code 2 on the person's Form 1099-R. The person must explain on Form 5329 of their tax return.

The SECURE Act authorizes an automatic 60-day extension to file a tax return and certain other tax acts. With respect to IRAs and pension plans the 60-day extension shall apply to: annual IRA contributions which have a deadline of April 15 (with no extension), a withdrawal of an excess contribution made before the tax return due date (plus extensions), a recharacterizing of a contribution and making a rollover contribution.

This automatic extension shall be in addition to or concurrent with other IRS guidance issued pursuant to other subsections of Code section 7508A.

The SECURE Act 2.0 did make one major change in the disaster rules for disaster related IRA distributions. The old limit of $100,000 was reduced to $22,000. This reduced limit applies to disasters occurring on or after January 26, 2021.

The 60-day period ends on the date which is 60 days after the latest disaster incident date.

The 60-day extension is granted to a qualified taxpayer who was in or in some cases was impacted by the disaster area.

7.8.L Effect on Taxation of Social Security and Railroad Retirement Benefits. Commencing with the 1994 tax year (i.e. January 1, 1994), new rules govern when Social Security benefits and Tier 1 Railroad Retirement benefits must be included in a taxpayer's gross income. If you receive such benefits, then you must include a portion of these benefits in your gross income if your provisional income exceeds either of two threshold amounts. Your provisional income includes modified adjusted gross income (adjusted gross income plus tax-exempt interest plus certain foreign-source income) plus 50% of your Social Security or Railroad Retirement benefit.

There are two primary consequences when Social Security and Railroad Retirement Benefits are taxable. First, because you are an active participant, any taxable Social Security amounts will increase your AGI for purposes of the deductible/nondeductible calculation. Second, a distribution from your SIMPLE-IRA may well result in some of your Social Security benefits being required to be included in income and being taxable.

7.8.M Distributions Which Are Not Subject To The General Taxation Rules. There are five exceptions to the general rule of when a distribution is not subject to tax: (i) rollovers; (ii) the return of a current-year contribution before the due date of the current-year's tax return; (iii) the return of certain excess contributions after the due date of the tax return for the year the excess was made; (iv) transfers incident to a divorce; and (v) nondeductible contributions.

7.8.M(1) Rollovers. The information presented below is intended to provide you with general information. You are strongly advised to see your tax advisor. A rollover is valid only if you make an irrevocable election in writing to the new Custodian/Trustee at the time of the contribution.

Two-year rule. To qualify as a tax-free rollover (or a tax-free trustee-to-trustee transfer), a rollover distribution (or a transfer) made from a SIMPLE-IRA during the 2-year period beginning on the date on which you first participated in your employer's SIMPLE plan must be contributed (or transferred) to another SIMPLE-IRA. The 2-year period begins on the first day on which contributions made by your employer are deposited in your SIMPLE-IRA.

After the 2-year period, amounts in a SIMPLE-IRA can be rolled over or transferred tax-free to an IRA other than a SIMPLE-IRA, or to a qualified plan, a tax-sheltered annuity (section 403(b) plan), or deferred compensation plan of a state or local government (section 457 plan).

Why would I want to roll over funds? You will avoid paying current taxes, which is the normal result when a distribution is received. That is, you avoid paying current taxes on the distribution amount plus the 25% or 10% excise tax which would apply if you were not yet age 59½, unless a special exception applied. It is important to note that these recontributed funds plus related earnings will continue to compound or grow tax deferred until distribution.

7.8.M(2) What rules must be satisfied to gain the beneficial tax treatment bestowed on rollover contributions?

Rollover <u>from</u> a SIMPLE-IRA <u>to</u> another SIMPLE-IRA. If a person receives a distribution (i.e. the check is made payable to the SIMPLE-IRA accountholder) of all or a part of his or her SIMPLE-IRA, he or she can re-deposit the funds into a SIMPLE-IRA without being taxed on the receipt of the funds, if:

-The funds are rolled over (i.e. redeposited) within 60 days,

-The funds were not a required minimum distribution, and

-The person has not rolled over a previous distribution from the same SIMPLE-IRA or other type of IRA within the last year. The one-year period commences on the date the person received the previous distribution and not on the date of the redeposit.

Example. You receive an eligible rollover distribution from your SIMPLE-IRA on June 30, 2023, that you intend to roll over to another SIMPLE-IRA to postpone including the distribution in your income, you must complete the rollover by August 29, 2023, the 60th day following June 30.

7.8.M(3) Special Rule for SIMPLE-IRAs Rolling into a Traditional IRA and Expansion of Rollovers Into SIMPLE-IRAs. The general rules which apply for IRA-to-IRA rollovers also apply in this situation. In addition, a rollover from a SIMPLE-IRA to a traditional IRA is only permissible if the distribution from the SIMPLE which you are rolling over occurred after the 2-year period which commences on the date you first participated in the related SIMPLE plan.

Now SIMPLE-IRAs may accept rollover contributions arising from distributions from 401(k) plans, 403(b) plans, 457(b) plans and certain other qualified plans. Such contributions can only be made after the 2-year period described in section 72(t)(6) has been met. For example, funds now in a 401(k) plan may be rolled over into a SIMPLE-IRA if the 2-year requirement has been met or funds in a traditional IRA may be rolled over into a SIMPLE-IRA if the 2-year requirement has been met.

7.8.M(4). What rules must be satisfied to gain the beneficial tax treatment bestowed on rollover contributions?

Rollover <u>to</u> an IRA <u>from</u> another IRA. If a person receives a distribution (i.e. the check is made payable to the IRA accountholder) of all or a part of his or her IRA, he or she can re-deposit the funds into an IRA without being taxed on the receipt of the funds, if:

• The funds are rolled over (i.e. re-deposited) within 60 days after the day the funds were received,

• The funds were not a required minimum distribution, and

• The person has not rolled over a previous distribution from the same IRA or another IRA within the last year. The one-year period commences on the date the person received the previous distribution and not on the date of the redeposit.

In 2015 and subsequent years a person is authorized to rollover only one distribution in a one year period. It does not matter how many IRAs this person has. A person who withdraws $3,000 from her SIMPLE-IRA on January 15, 2023, and then withdraws $6,000 from her traditional IRA on January 28, 2023, will have to decide which one of the two distributions will be partially or totally rolled over since only one distribution is eligible to be rolled over.

The 60 day rule must be met. Although a person is limited to being able roll over just one distribution, he or she is permitted to make multiple rollover contributions. For example, a person who withdraws $15,000 on May 6, 2023, will be able to make a $6,000 rollover contribution on May 27, 2023, a $7,000 rollover contribution on June 5, 2023 and a $2,000 rollover contribution on June 24, 2023.

The tax consequences will be harsh if a person attempts to rollover two distributions within a 12-month period. The second distribution is ineligible to be rolled over which means it is generally taxable if it was from a traditional IRA. Or, if the second distribution was from a Roth and was ineligible to be rolled over, then individual will have lost the right to have such funds earn tax-free income. Any ineligible rollover contribution will be an excess contribution subject to the 6% excise tax unless timely corrected.

In summary, a person who takes distribution in 2023 (e.g. April 20, 2023) from his or her traditional IRA and rolls it over within the 60 day limit is eligible to rollover a subsequent distribution from any of his or her other IRAs only if such distribution occurs on April 20, 2023 or later. In addition, he or she is eligible to take a distribution on April 20, 2023 and roll it over, only if he or she has taken no previous distribution from an IRA during the preceding 12 months (i.e. April 21, 2022 to April 20, 2023).

You must roll over into the new IRA the same property which you received from your old IRA. There is no authority, as there is with qualified plan distributions, for you to roll over the proceeds of the sale of the property.

There are three exceptions to the 60-day rule. First, if your distribution deposit was put into an institution which has had its deposits “frozen,” then you may have longer than 60 days to complete the rollover. Refer to IRS Publication 590 for a discussion of the special “frozen deposit” rules. The second exception is, if you withdrew your funds for purposes of using such funds under the First-Time Home Buyer exception as discussed later, but your acquisition or construction was delayed, then the 60-day limit is changed to 120 days.

The third exception is that the IRS may waive the 60-day requirement where it would be against equity or good conscience not to do so.

The IRS has three procedures available so that an individual may benefit by the IRS waiving the 60-day requirement. If you have missed your 60-day deadline, you will want to discuss with your tax advisor whether or not you will qualify for an IRS waiver of the 60-day rule. The first waiver method set forth in Revenue Procedure 2003-16 requires the taxpayer to file an application, pay a filing fee of $10,000 and request the IRS to grant the waiver. The second waiver method requires the IRA accountholder to self-certify that you are eligible to make a late rollover. You will do so by completing a form which has been furnished by the IRS.

The IRS tentatively grants the waiver upon the making of the self certification and the tax payer is permitted to prepare his or her tax return to reflect that he or she made a complying rollover so the distribution amount is not required to be included in his or her taxable income. However, the IRS retains the right to examine the individual’s tax return for such year (ie audit) and determine if the requirements for a waiver of the 60-day rule were or were not met.

The third waiver method authorizes an automatic waiver if the rollover error happens because of the IRA custodian/trustee making a mistake by not timely depositing the funds into an IRA investment. The mistake must be found and corrected within one year.

Rollover and Direct Rollover to an IRA <u>from</u> a Qualified Plan or Other Eligible Employer Plan. When you separate from service or you reach retirement age, your employer is required by law, within a reasonable period of time before making a distribution, to furnish you with a special explanation form (i.e. a section 402(f) notice). This form will inform you if your entire account balance is entitled to be rolled over (or directly rolled over) or if only a portion is eligible. This form will then give you three options, and you will be asked to furnish your instruction. The first option—you can roll over or directly roll over 100% of your vested account balance which is eligible to be rolled over. The withholding rules do not apply to whatever amount you elect to directly roll over. The second option—you can have your vested account balance paid to you in cash. If so, the plan administrator is required by law to withhold 20% of the amount to be distributed, to the extent it is eligible to be rolled over. The third option—you can elect to have some of your vested account balance paid to you in cash (and the 20% withholding would apply, if applicable) and you could directly roll over the remainder.

By rolling over or directly rolling over your distribution to a traditional IRA, you then are not required to include the distribution in your taxable income and you will not owe the 10% additional tax which generally applies to a person who has not attained age 59½.

An “automatic” rollover rule applies for 2005 and subsequent years. If your vested account balance never exceeded $5,000, but it did exceed $1,000, and you failed to elect to have such distribution paid to an eligible retirement plan in a direct rollover or to receive the distribution directly, the plan administrator may execute the necessary documents to establish an individual retirement plan on your behalf, with a financial institution selected by the plan administrator. The SECURE Act 2.0 allows an employer to revise its plan to change the $5,000 limit to $7,000.

Under the rules, a “direct rollover” is a distribution from an eligible retirement plan that would be eligible to be rolled over, but is instead paid directly to another retirement plan. The transaction must be executed for the benefit of the person entitled to receive the distribution from the employer’s plan.

Commencing January 1, 2008, the law authorizes certain individuals with funds in an employer-sponsored plan to directly rollover some or all of his or her account balance into a Roth IRA. The standard eligibility rules for a conversion apply. See the discussion regarding the conversion rules set forth later in this booklet. The amount moved to the Roth IRA will be a conversion contribution. The individual will be required to include the distribution in his or her income for federal income tax purposes. An individual will want to discuss such a transaction with his or her tax advisor BEFORE making such a conversion contribution.

A direct rollover may be accomplished by any reasonable means of direct payment to an eligible retirement plan. If payment is made by check, the check must be negotiable only by the trustee of the eligible retirement plan. For example, “ABC Bank as trustee of the IRA of Maria Evert” or the “Trustee of XYZ Corporation Profit Sharing Plan FBO Jim Davis.” If payment is made by wire transfer, it must be directed only to the trustee. It is permissible to have the plan furnish you with a check, if you are instructed to deliver the check to the trustee, and the check is made payable, as indicated above, solely to the trustee.

If your distributions during the year are reasonably expected to total less than $200, then the plan administrator need not offer you the right to directly roll over these funds.

Again, the plan administrator will inform you to what degree your vested account balance in a qualified plan or other employer plan is eligible to be rolled over.

In Notice 2014-54 (September 18, 2014) the IRS issued guidance for when an individual has basis within a qualified plan or similar plan and takes a distribution and wishes to roll over or directly rollover such basis into a Roth IRA or another tax preferred plan. Prior law had required a person with basis to apply a pro rata taxation rule.

Once you are subject to the Required Distribution Rules, you must start taking distributions from your account each year. These RMD distributions are ineligible to be rolled over to an IRA. You are also ineligible to roll over any distribution which is paid over your life or your life expectancy (single or joint) or any distribution which is one of a series of substantially equal periodic payments (i.e. installments) for a period spanning ten years or more. Also, corrective distributions of excess deferrals and contributions, defaulted loans and hardship distributions are ineligible to be rolled over.

<u>Additional rules applying to rollovers and direct rollovers from an eligible employer plan.</u>

• You must roll over the property you received, unless you sell it. If you sell the property, you may roll over the proceeds of the sale.

You CANNOT roll over any life insurance to an IRA.

• You must complete the rollover within 60 days after the day the distribution was received. If there are multiple distributions, in general, the 60 days starts to run from the last distribution.

• If you die, your surviving spouse may roll over all or part of a distribution, but the rules discussed above must be satisfied.

• Often in divorce, one spouse (i.e. the alternate payee) is given, by court order, the right to be paid the other spouse’s pension benefits. Any amount paid to a spouse or former spouse pursuant to a qualified domestic relations order is eligible to be rolled over if the distribution would qualify under the above-described rules if the spouse or nonspouse was substituted for the employee.

• The amount you choose to keep and not roll over must be included in your gross income as ordinary income in the year in which you receive it. In addition, unless a special exception applies, you will be subject to the 10% additional tax if you have not attained age 59½.

Rollover and Direct Rollover <u>to</u> an IRA <u>from</u> a Section 403(b) plan/annuity. If you receive an eligible rollover distribution from a tax-sheltered annuity, you may roll over these funds to an IRA within 60 days of receipt. However, you should be aware that an annuity contract qualifies as a section 403(b) plan/annuity only if the contract is written so that distributions attributable to contributions made pursuant to a salary-reduction agreement can be paid only if the annuitant has attained age 59½, separated from service, died or became disabled, or, in the case of a hardship, the distribution was received on or before December 31, 1998.

If you die, your surviving spouse may roll over any tax-sheltered annuity funds to an IRA as long as the applicable rollover rules are satisfied.

Rollover and Direct Rollover to an IRA from a Governmental Section 457 Plan. If you receive an eligible rollover distribution from a governmental section 457 plan, then you may roll over these funds into an IRA within 60 days of receipt. As discussed in the section dealing with rollovers from qualified plans, not all distributions are eligible to be rolled over. The plan administrator is to inform you in writing what portion of your distribution is eligible to be rolled over or directly rolled over.

Special Recontribution Rules for Certain Military Reservists. A military reservist called to active duty for

180 days or more on or after September 11, 2001, has special recontribution rights. The standard 60-day rollover rule is overridden by this special rule. The military reservist has the right to recontribute a distribution over a 2-year period ending two years after his or her active duty ended. The recontribution may be made in one or more contributions, and such recontributions are independent of the normal contribution limits. The recontribution amount cannot exceed the distribution amount.

You cannot claim a deduction for a qualified reservist repayment. This means that your recontribution is comprised of nondeductible contributions. You should include such amount on line 1 of Form 8606 (Nondeductible IRA Contributions). The amount you may repay is in addition to the amount you are eligible to contribute under the standard contribution rules.

7.8.M(5) Special Rule for SIMPLE-IRAs Rolling into a Traditional IRA and Expansion of Rollovers Into SIMPLE-IRAs. The general rules which apply for IRA-to-IRA rollovers also apply in this situation. In addition, a rollover from a SIMPLE-IRA to a traditional IRA is only permissible if the distribution from the SIMPLE which you are rolling over occurred after the 2-year period which commences on the date you first participated in the related SIMPLE plan.

SIMPLE-IRAs may accept rollover contributions arising from distributions from 401(k) plans, 403(b) plans, 457(b) plans and certain other qualified plans. Such contributions can only be made after the 2-year period described in section 72(t)(6) has been met. For example, funds now in a 401(k) plan may be rolled over into a SIMPLE-IRA if the 2-year requirement has been met or funds in a traditional IRA may be rolled over into a SIMPLE-IRA if the 2-year requirement has been met.

7.8.M(6) Special Rollover Contribution(s) Arising From Exxon Valdez Litigation or Certain Airline Payments. Settlement funds from the Exxon Valdez litigation may be rolled over into a traditional IRA if certain rules are met and certain airline payments may be rolled over if certain rules are met. Rolling over such funds has the tax effect that an individual need not include these payments immediately in his or her income, but taxation is deferred until withdrawal from the traditional IRA. See IRS Publication 590A for the IRS discussion of these special rollovers. These rules are complex and you should also consult with your tax attorney or accountant.

7.8.M(7) Special Self-Certification Rule Also Applies To Distributions From An Employer Sponsored Plan. The new self-certification procedures as discussed in Section 4.4.F.(1) also apply if the distribution intended to be rolled over originated from an employer plan rather than an IRA.

7.8.M(8) Rollover Rule For Certain Plan Loan Offset Amounts. As of January 1 2018, there is a new rollover rule for certain plan loan offset amounts which are treated as distribution in tax years beginning after December 31, 2017. In certain situations a plan loan offset amount is deemed distribution. A plan offset amount is the amount by which a participant's vested account balance is reduced in order to repay a loan from the plan. A participant is entitled to rollover his or her plan loan offset amount, but the rollover must be completed by the tax filing deadline for the year during which the distribution occurred rather than under the standard 60-day rule.

7.8.M(9) Rollover Rule for Certain IRS Levies Returned to an IRA Owner or IRA Beneficiary. With respect to IRS payments made after December 31, 2017, an IRA owner or an IRA beneficiary is eligible to make a rollover contribution of the following IRS payment. At times, in order to collect tax funds owed the IRS will levy an individual's IRA funds or pension funds. Sometimes the IRS must return all or some of the levied amount. An individual is now eligible to rollover the returned amount into a traditional IRA. This special rollover must be made no later than the due date of the individual's tax return for the year the individual receives the IRS' repayment. This situation is the only time a non-spouse beneficiary may roll over a distribution from either an IRA or a pension plan. This special rollover is not to be counted for purposes of the once per 12 month rollover rule.

7.8.M(10) The CARES Act waived RMDs for 2020. The CARES Act was enacted on March 27, 2020. A person may have been paid his or her RMD prior to March 27, 2020 or soon thereafter. An RMD is ineligible to be rolled over. However, the distribution thought to be an RMD was not because of the retroactive law change. Since this distribution is not an RMD, then in general, it is eligible to be rolled over as long as the standard rollover rules are met. If you are such a person you should consult with your tax adviser, because the IRS most likely will issue additional guidance.

7.8.N Withdrawal of Current-Year Contribution(s) Before the Due Date of the Current Year's Tax Return. It is unclear whether or not, and to what extent, this exception (which applies to other IRAs) will apply, if at all, to a distribution from a SIMPLE-IRA. If it would apply, then the following rules would apply.

If you satisfy the following three (3) requirements, you will not be taxed on the withdrawal of a contribution from your SIMPLE-IRA. First, you must withdraw the contribution by the date, including extensions, your income tax return is due. Second, no deduction must have been allowed for the contribution for that tax year. Third, any interest or other income earned by the contribution must also be withdrawn.

7.8.O Withdrawal of Prior-Year's Excess Contribution After the Due Date of that Year's Tax Return. See related discussion under 7.8.J(2). It is unclear whether or not, and to what extent, this exception (which applies to other IRAs) will apply, if at all, to a distribution from a SIMPLE-IRA. If this situation arises you will wish to discuss this situation with your tax advisor.

7.8.P Transfer Incident to Divorce and/or Election to Treat as Own. When a SIMPLE-IRA is transferred from one spouse to another by a divorce decree or written document relating thereto, or after the death of one spouse, the transfer is not a distribution and is deemed tax-free. The SIMPLE-IRA becomes the SIMPLE-IRA of the transferee as of the date of transfer, subject to all rules governing SIMPLE-IRAs.

7.9 Special Taxes That Apply Even Though No Distribution.

7.9.A Six Percent Excise Tax on Excess Contributions. It is unclear whether or not, and to what extent, this 6% excise tax will apply to SIMPLE-IRA contributions. An impermissible SIMPLE-IRA contribution will most likely constitute an excess SIMPLE contribution. Under the law, this wrongful SIMPLE contribution is automatically converted into a regular IRA contribution. If you have made other regular IRA contributions, you could also have an excess IRA contribution. Because this SIMPLE-IRA permits only SIMPLE-IRA contributions, you will be required to somehow correct this situation. It is unclear under the current law as to how you would make this clarification on this issue because The Small Jobs Protections Act of 1996 does not contain sufficient instruction. The following is a general discussion of the 6% excise tax which applies to excess contributions.

You must pay a 6% excise tax each year on excess amounts that remain in your SIMPLE-IRA. The tax cannot be more than 6% of the value of your SIMPLE-IRA as of the end of the tax year. In general, an excess contribution is the amount paid to your SIMPLE-IRA which exceeds your contribution limit.

If the excess contribution is made for the current tax year, you will not have to pay the 6% excise tax if you withdraw or eliminate the excess amount by the date, including extensions, your tax return is due for the current year.

If the excess contribution is attributable to a prior year, you will not have to pay the 6% excise tax if you withdraw or eliminate the excess by December 31 of the current year. The carryback concept does not apply in this situation.

7.9.B 10% or 25% Tax on Excess Accumulations. Commencing in 2023 current federal income tax was changed. An IRA accountholder or a beneficiary who has a missed RMD will owe a special excise tax. The tax amount is determined by multiplying the missed amount by a tax rate. This rate used to be 50% for years prior to 2023. For 2023 and subsequent years it is 10% if the individual pays the amount owing on a timely basis, but it will be 25% if the individual does not pay the amount owing on a timely basis. An individual may submit a request to the IRS that it should waive the assessment of any tax for having a missed RMD if the individual can explain why such relief is proper due to the special circumstances.

7.10 Form 5329 – Reporting Requirements when an Excise Tax applies. If you or your beneficiary(ies) owe the 6% excise tax on an excess contribution, the 10% or 25% additional tax on premature distributions or the RMD excise tax for failing to satisfy the minimum distribution requirements, you or your beneficiary(ies) must file IRS Form 5329. If you only owe the 10% additional tax for premature distributions, and the payer properly shows the correct code on the Form 1099-R you may not have to file form 5329. See the instructions for Form 5329 for more information. You may be required to file Form 5329 even though your income level would not otherwise require the filing of an income tax return (i.e. Form 1040 or 1040A). If you engaged in a prohibited transaction, then you must report the entire SIMPLE-IRA's value as of such day as being distributed.

7.11 Reporting Requirements of Non-deductible Contributions, Conversions and Recharacterizations. The law does not permit a person to make non-deductible contributions to a SIMPLE-IRA. A person may not recharacterize a SIMPLE-IRA contribution to be a traditional IRA contribution or a Roth IRA contribution. It is however, permissible to convert funds in a SIMPLE-IRA to a Roth IRA. A person would need to check with his or her tax advisor, but it appears a person may recharacterize or un-do a conversion made from the SIMPLE-IRA to a Roth IRA and return it to the SIMPLE-IRA as long as it would be accomplished within the appropriate time deadlines.

The instructions for Form 8606 and Form 8606 should be reviewed.

The Form 8606 is required to be filed if any of the following apply:

- You made nondeductible contributions to a traditional IRA for a current tax year.
- You received distributions from a traditional, SEP or SIMPLE-IRA in the current tax year (other than a rollover, conversion, recharacterization, or return of certain contributions) and you have ever made nondeductible contributions to a traditional IRA.
- You converted an amount from a traditional, SEP, or SIMPLE-IRA to a Roth IRA in a current tax year (unless you recharacterized the entire conversion).

7.12 Converting or Rolling Over this SIMPLE-IRA to a Roth IRA. Notice of tax law change. Effective for tax years commencing after December 31, 2017, a person who makes a Roth IRA conversion is unable to recharacterize it. Any Roth IRA conversion made in 2017 may still be recharacterized in 2018 as long as the standard rules are followed. The Tax Cut Act as signed into law by President Trump on December 22, 2017, repealed the law authorizing a Roth IRA conversion contribution to be recharacterized. Such law as explained by the conference committee report did not change the recharacterization rules for annual Traditional IRA and Roth IRA contributions. These rules are discussed in section 4.12.

You might benefit more (from a tax and/or nontax standpoint) if you would move or convert some or all of the assets in this traditional IRA to a Roth IRA. You may find it advantageous to incur the tax consequences of a present distribution in order to qualify to earn the right to have no taxation when the earnings are ultimately distributed from the Roth IRA. You will need to make this decision after considering all relevant rules, tax consequences and other factors. You should discuss this with your tax advisor.

Beginning January 1, 2010, anyone having a traditional IRA may convert funds from their traditional IRA to a Roth IRA.

You can convert amounts from your traditional IRA to a Roth IRA by using any of the following three methods. The first method is the standard rollover. You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days of the distribution. The second method is a trustee-to-trustee transfer. If permissible, you may direct the custodian/trustee of your traditional IRA to transfer an amount from the traditional IRA to the custodian/trustee of your Roth IRA. The third method is an internal movement. You direct the custodian/trustee of your traditional IRA to transfer an amount from your traditional IRA to your Roth IRA.

All three methods are reportable transactions and will be reported to the IRS and to you. This situation presents a new and unique meaning of "rollover" and "transfer." Normally, there is no taxation when a rollover or transfer occurs. This is not the case with this type of rollover or transfer. You may find it advantageous to incur the tax consequences of a present distribution in order to qualify to earn the right to have no taxation when the earnings are ultimately distributed from the Roth IRA.

A nonspouse beneficiary is ineligible to convert funds within an inherited IRA to a Roth IRA.

If you do elect to roll over or convert funds from your traditional IRA to a Roth IRA, then the amount distributed to you from your traditional IRA will be included in your income for the year of receipt and will be subject to income taxes for such year. However, even if you are younger than age 59½ at the time you receive the distribution, you will not owe the 10% excise tax.

Congress had concerns that an individual might roll over or convert funds from his or her traditional IRA to a Roth IRA and then withdraw funds before certain time periods are completed.

If you roll over or convert funds from your traditional IRA to a Roth IRA, and the 10% excise tax of Code section 72(t) would otherwise have applied, and you later withdraw funds from the Roth IRA before you meet the 5-year requirement, then you will owe the 10% excise tax as imposed by Code section 72(t). You will owe the 10% excise tax to the extent that the distribution is attributable to amounts that were includable in income due to the conversion/rollover and to which the 10% excise tax would have been applied except for the Roth conversion/rollover exception. Note that for the purpose of this additional 10% tax, there is a separate 5-year requirement for each conversion contribution. This 5-year period begins on the first day of your tax year (normally January 1) in which the conversion contribution is made. This 5-year period ends on the last day of the fifth consecutive taxable year beginning with the taxable year described in the preceding sentence (normally this is December 31).

7.13 Conversion of Funds in Employer-Sponsored Plan Directly to a Roth IRA Commencing January 1, 2008, the law authorizes certain individuals with funds in an employer-sponsored plan to directly roll over some or all of his or her account balance into a Roth IRA. The standard eligibility rules for a conversion apply. See the discussion regarding the conversion rules set forth later in this amendment. The amount moved to the Roth IRA will be a conversion contribution. The individual will be required to include the distribution in his or her income for federal income tax purposes. An individual will want to discuss such a transaction with his or her tax advisor BEFORE making such a conversion contribution.

7.14 SIMPLE-IRAs and the Recharacterization Rules. Set forth is a discussion of the recharacterization rules. These rules create a method to correct or modify contributions to a traditional IRA and/or Roth IRA. These rules generally do not apply to SIMPLE-IRA contributions. You cannot recharacterize employer contributions (including elective deferrals) to a SIMPLE-IRA as contributions to another type of IRA. However, if you mistakenly rollover or transfer an amount from a traditional IRA to a SIMPLE-IRA, you can use the recharacterization rules to later recharacterize the amount as a contribution to another traditional IRA.

Recharacterizing a Contribution. The law now permits you to elect to treat a contribution made to a Roth IRA or traditional IRA (i.e. the First IRA) as made to the other type of IRA (i.e. the Second IRA). This can be accomplished by means of a trustee-to-trustee transaction or it can be done by an internal transaction with the same trustee.

The concept is – the contribution as made to the First IRA which is being recharacterized is treated on your federal income tax return as having been originally contributed to the Second IRA on the same date and (in the case of regular contribution) for the same taxable year that the contribution was made to the First IRA. The income is considered earned by the Second IRA. A recharacterized contribution is not treated as a rollover for purposes of the one-rollover-per-year limitation.

This election can be made only if accomplished on or before the due date (including extensions) for filing your Federal income tax return for the taxable year for which the contribution was made to the First IRA or by such deadline as otherwise set by the IRS. As with excess contributions, the IRS has stated that October 15 of the following year is the deadline for completing a recharacterization. For this purpose, an actual distribution from a traditional IRA late in a calendar year which is then rolled over to a Roth IRA (conversion method #1) in the following calendar year is treated as being contributed in the earlier calendar year.

An election to recharacterize a contribution cannot be revoked once it has been completed.

In order to have a qualifying recharacterization, the net income attributable to the contribution being recharacterized must be transferred to the Second IRA. The method used to calculate the net income is a method very similar to the method used to calculate the earnings associated with an excess contribution to a traditional IRA.

You cannot recharacterize a contribution to the First IRA if it was a tax-free contribution (i.e. a rollover or a transfer).

The fact that a rollover or transfer (i.e. a tax-free transfer) has occurred from the First IRA to a subsequent IRA does not mean that the IRA contributor cannot recharacterize the initial contribution as long as the other rules are met. The subsequent IRA is deemed to be the first IRA for these purposes. The rollover or transfer is ignored and the recharacterization is permissible.

In order to make an election to recharacterize a contribution, you must do the following. You must notify both the custodian/trustee of the First IRA and the Second IRA that you have elected to treat he contribution as having been made to the Second IRA, instead of the First IRA for Federal income tax purposes. This notification must be furnished on the date of the transfer (i.e. simultaneously) or before the date of the transfer. The notification must also include the following information: (1) Type and amount of the contribution to the First IRA that is to be recharacterized; (2) The date on which the initial contribution was made; (3) A direction to the custodian or trustee of the First IRA to transfer in a custodian/trustee-to-custodian/trustee transfer, the amount of the contribution plus the allocable net income to the custodian/trustee of the Second IRA; (4) The name of the first trustee and the second trustee; and (5) Any additional information needed to make the transfer.

You and your tax advisor will wish to review the IRS instructions for Form 8606 and other applicable forms as to how you are to report a recharacterization on your federal income tax return(s).

7.15 Reconversion. With the repeal in 2018 of the rules allowing a person to recharacterize a Roth IRA conversion contribution, the Roth IRA reconversion rules no longer apply. Similary, the failed conversion rules no longer exist because by definition there can be no failed conversion in 2018 or subsequent years.

7.16 Discussion of the Special Rules Applying to Tax-Free Transfers to Health Savings Accounts. On or after January 1, 2007, a person who is eligible to make an HSA contribution and who has funds within a traditional IRA or Roth IRA may make a special election once during their lifetime to transfer a certain amount from such IRA to their HSA. This type of special transfer is called a qualified HSA funding distribution. Such an election, once made, is irrevocable. The amount transferred in such a direct trustee-to-trustee transfer will be excluded from the person's income.

This one-time transfer rule allows a person to change funds which would be taxable (money distributed from an IRA) to funds which will escape taxation if they are withdrawn from the HSA and used to pay qualified medical expenses.

The right allowing a person to transfer funds from an IRA to an HSA tax-free applies even when the person has inherited an IRA. When a beneficiary transfers funds from his or her inherited IRA to an HSA, such a transfer will count to satisfy his or her IRA required distribution from the inherited IRA.

The amount contributed to an HSA, when transferred from an IRA, does count against the HSA contribution limit for such year

The maximum amount which can be transferred tax-free is determined at the time of the transfer and not later in the year. A person who is covered under a HDHP in March of 2018 may transfer from an IRA to an HSA in March the "family" amount even though later in 2018 he switches to a "single" HDHP.

The amount to be excluded is limited. It shall not exceed the annual contribution limit for single or family coverage, as applicable, as based on the HDHP coverage as of the time of the special transfer, or, in some cases, the amount of an earlier qualified HSA funding distribution. Thus, the maximum amount eligible for this special transfer for 2018 will be $3,450 for single coverage and $6,900 for family coverage plus any applicable catch-up amount.

Any traditional IRA and/or Roth IRA funds may be transferred to an HSA, including non-taxable basis. However, if a person chooses to transfer his or her basis from either a traditional IRA and/or Roth IRA, the individual will not be able to carry over this basis to his or her HSA. The IRS has adopted the position that the general HSA distribution rule will be applied even if a person has transferred IRA basis into his or her HSA.

The general rule is that a person is allowed only one tax-free transfer during his or her lifetime. One means one. Therefore, if a person has two or more IRAs and wants to use amounts in multiple IRAs to make the tax-free transfer, if eligible, the individual must first make an IRA to IRA or Roth IRA to Roth IRA transfer of the amounts to be distributed into a single IRA, and then make the one tax-free transfer. A person who has both a traditional IRA and a Roth IRA will only be able to do the transfer from one or the other IRA.

A person will be able to transfer SIMPLE-IRA funds to his or her HSA only if the SIMPLE is not an "on-going" plan. That is, the transfer is permissible as long as the employer has not made an employer contribution for the plan year ending with or within the SIMPLE-IRA owner's tax year.

There are special testing period taxes if you make this special type of transfer and then end your coverage under an HDHP before a one-year time period has expired.

The testing period starts with the month in which the qualified HSA funding contribution is contributed to the HSA and ends on the last day of the 12th month following such month.

If, at any time during the testing period, you are no longer an eligible individual, then you will be penalized as follows. You will have to add to your income all contributions which had been excluded from income. This is required for the first month you become ineligible. The tax you owe will depend on what marginal tax rate applies. You will also owe an additional 10% tax.

Caution — Once the IRA funds are contributed to the HSA, there is no authority or provision in the law to recontribute the funds to the IRA. However, if the recontribution took place within the standard 60-day rollover period, it would be permissible.

7.17 Discussion of the Special Rules Applying to Distributions to Expatriates. The Heroes Earnings Assistance and Relief Tax Act of 2008 changed the tax laws regarding expatriation. President Bush signed this bill into law on June 17, 2008. The expatriation changes apply to any individual whose expatriation date is on or after June 17, 2008.

An expatriate is any United States citizen who relinquishes his or her citizenship and any long term resident of the United States who ceases to a lawful permanent resident. An individual's expatriation date is the date he or she relinquishes citizenship or ceases being a permanent resident. A covered expatriate, in general, is an expatriate who meets the requirements of subparagraphs (A), (B), or (C) of Internal Revenue Code section 877(a)(2). However, there are exceptions where such a person is not treated as a covered expatriate. An individual will need to consult with his or her attorney or tax advisor.

There are special tax rules applying to IRA accounts and other tax preferred accounts. Any IRA of a covered expatriate is deemed totally distributed on the day before his or her expatriation date. The 10% early distribution tax does not apply. There are to be appropriate adjustments made with respect to subsequent distributions from the account to reflect the deemed distribution. Special withholding rules apply.

8.1 Rules and Procedures After You the IRA Accountholder or Your Beneficiary Has Died – RMD Rules for a Beneficiary

Are my IRA beneficiaries required to take RMDs after I die? Yes. Once an IRA accountholder dies, the law generally requires that a beneficiary take required distributions over his or her life expectancy or by using the 5-year rule or the 10-year rule. Unless you have restricted how much your beneficiary may withdraw, he or she is able to withdraw more than the required distribution amount, including closing the IRA. If your beneficiary fails to take his or her required distribution by the applicable deadline, then he or she will owe the RMD tax.

Have the RMD rules for certain beneficiaries changed? Yes. With the enactment of the SECURE Act within the Further Consolidations Act of 2020 there are now different rules depending upon whether the IRA owner died on or before December 31, 2019 or after December 31, 2019.

Are there situations where a person designated to be a beneficiary no longer qualifies as a beneficiary? Yes. If my beneficiary and I die together with no evidence showing who died first, then my beneficiary is deemed to have predeceased me. If my beneficiary dies within 120 hours of my death, such beneficiary is deemed to have predeceased me.

Surviving Spouse's Right to Treat Deceased Spouse's IRA as Own. A spouse who is the sole primary beneficiary, and who has an unlimited right to withdraw amounts from the deceased spouse's IRA, has the right to treat this IRA as his or her own IRA at any time after the spouse's date of death. When a surviving spouse elects to treat the deceased spouse's IRA as his or her own, the IRA is no longer an "inherited" IRA. The effect of treating the deceased spouse's IRA as his or her own IRA is that the surviving spouse is now treated as if he or she had originally made the IRA contributions. The surviving spouse is now considered to be the IRA owner, for whose benefit the IRA is maintained, for all purposes under the tax laws (e.g. the application of the 10% excise tax for pre-age 59½ distributions, the right to designate a beneficiary(ies), the right to convert the funds to a Roth IRA, the RMD Rules, etc).

Note. The IRS has made clear that even though your spouse beneficiary does not have the right to elect to treat your IRA as his or her own because he or she is not the sole beneficiary or for some other reason, your spouse may still roll over a distribution as long as the standard rollover rules are satisfied.

When must my beneficiary(ies) be paid a required distribution? If an RMD had been calculated for you for the year you die, then your beneficiary(ies) will need to be paid an RMD by December of 31 of such year to the extent it had not been paid to your prior to your death. An RMD is calculated for the year you attain age 73 or would have attained age 73 since for RMD purposes it is assumed you lived the entire year.

The RMD due for the years after the year of your death depend upon the RMD rules as discussed below.

What is the tax consequence for my beneficiary if he or she fails to take an RMD by December 31? He or she will owe the RMD tax. The IRS does have the authority to waive this tax if special circumstances explain why a beneficiary missed taking his or her RMD.

What is the general RMD formula for an IRA beneficiary? It is the same formula which applies to a living IRA accountholder, except the life-expectancy table to be used is different. An IRA beneficiary uses the Single Life Table. An IRA beneficiary never uses either the Uniform Lifetime Table or the Joint and Last Survivor Table.

The Formula for Current Year:

12-31-XX of Preceding Year divided by the Period from Single Life Table (As Adjusted) equals RMD.

What life-expectancy table is used to determine the life expectancy which applies to an inheriting IRA beneficiary using the life expectancy rule?

Single Life Table

Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)
0	84.6	31	54.4	61	26.2	91	5.3
1	83.7	32	53.4	62	25.4	92	4.9
2	82.8	33	52.5	63	24.5	93	4.6
3	81.8	34	51.5	64	23.6	94	4.3
4	80.8	35	50.5	65	22.9	95	4.0
5	79.8	36	49.6	66	22.0	96	3.7
6	78.8	37	48.6	67	21.2	97	3.4
7	77.9	38	47.7	68	20.4	98	3.2
8	76.9	39	46.7	69	19.6	99	3.0
9	75.9	40	45.7	70	18.8	100	2.8
10	74.9	41	44.8	71	18.0	101	2.6
11	73.9	42	43.8	72	17.2	102	2.5
12	72.9	43	42.9	73	16.4	103	2.3
13	71.9	44	41.9	74	15.6	104	2.2
14	70.9	45	41.0	75	14.8	105	2.1
15	69.9	46	40.0	76	14.1	106	2.1
16	69.0	47	39.0	77	13.3	107	2.1
17	68.0	48	38.1	78	12.6	108	2.0
18	67.0	49	37.1	79	11.9	109	2.0
19	66.0	50	36.2	80	11.2	110	2.0
20	65.0	51	35.3	81	10.5	111	2.0
21	64.1	52	34.3	82	9.9	112	2.0
22	63.1	53	33.4	83	9.3	113	1.9
23	62.1	54	32.5	84	8.7	114	1.9
24	61.1	55	31.6	85	8.1	115	1.8
25	60.2	56	30.6	86	7.6	116	1.8
26	59.2	57	29.8	87	7.1	117	1.6
27	58.2	58	28.9	88	6.6	118	1.4
28	57.3	59	28.0	89	6.1	119	1.1
29	56.3	60	27.1	90	5.7	120	1.0
30	55.3						

Who is primarily responsible to comply with the RMD rules after I die? Each beneficiary has this responsibility. Each beneficiary should seek guidance from their own adviser because these laws are complicated. Current IRS procedures do not require the IRA custodian/trustee to furnish an IRA beneficiary with an annual RMD notice as is provided to you annually. Many IRA custodians/trustees will communicate with a beneficiary to assist a beneficiary with the withdrawal of the inherited IRA funds.

What is the consequence if a beneficiary fails to comply with the RMD laws? He or she will owe the RMD tax.

After I die what required minimum distribution laws will apply to my beneficiary(ies)? These laws are complicated and which laws apply to a beneficiary depend upon whether your beneficiary is a spouse or not, whether you die after December 31, 2019, (or before) and whether you die or died before or after your required beginning date. Your required beginning date is April 1 of the year following the year you attain age 73 if you die after December 31, 2019.

Discussion of the Beneficiary RMD Rules After the SECURE ACT of 2019. An IRA beneficiary is required to comply with RMD rules applying to a beneficiary once the IRA accountholder dies. A beneficiary who fails to timely withdraw an RMD will be liable for the 50% excess tax. The law and the IRS procedure is to assess the RMD tax against the beneficiary and not the IRA custodian/trustee. A beneficiary should discuss their beneficiary situation with their adviser be it an attorney, an accountant, a financial adviser or a family member. In general, a beneficiary is required to include a distribution of the inherited IRA funds in their income unless some of the funds are basis and are not taxable.

A beneficiary may withdraw more than their annual RMD unless the IRA accountholder has imposed restrictions limiting a distribution to the RMD amount or some larger amount. The IRA accountholder could state that the beneficiary was not to take an immediate lump sum distribution.

An IRA custodian/trustee has two beneficiary classifications after the SECURE Act of 2019.

Category #1. IRA Accountholder Died Before January 1, 2020.

You are a beneficiary of an IRA accountholder who died before January 1, 2020. The law has defined you to be an EDB, an eligible designated beneficiary. You have been grandfathered and you are to continue to apply the same RMD method which you originally elected or which automatically applies to you. Most beneficiaries will need to continue their life distribution rule as modified under IRS which allow your divisor to be reset by using the divisors set forth in the current Single Life Table. If you had elected the five year rule, that rule is to be continued.

If you are a sole spouse beneficiary who has maintained the IRA as an inherited IRA, you are to continue to use the applicable life distribution rule. However, you may still exercise your right to elect to treat this inherited IRA arising from your deceased spouse as your own IRA. You should be aware that the IRS has proposed to change these rules so that there will be deadline for making this election.

If you are a spouse beneficiary who is not sole beneficiary and who has maintained the IRA as an inherited IRA, you are to continue to use the applicable life distribution rule. However, you may still exercise your right to rollover this inherited IRA arising from your deceased spouse. You must comply with the standard rollover rules at there will be deadline for making this election.

If you are a non-spouse beneficiary who is a person you must continue the previous method which you had elected or which applied to you. If the IRA accountholder had died before the required beginning date the beneficiary selected between the 5-year rule and the life distribution rule. If the IRA accountholder had died on or after the required beginning date the beneficiary used the life distribution rule. The IRS has instructed that the divisor used under the life distribution rule is to be reset using the revised Single Life Table.

Upon you death, your beneficiary is allowed to continue your RMD schedule, but the beneficiary will be required to close out the inherited IRA under the 10-year rule.

Category #2. IRA Accountholder Died or Dies On or After January 1, 2020.

The purpose of the SECURE Act was to reduce the time frame for making distributions to many beneficiaries. That is, rather than being able to withdraw distributions over their life expectancy a beneficiary must use the 10-year rule. In a certain situation if the beneficiary is not a person, that beneficiary will have to use the 5-year rule.

There are at least 16 beneficiary situations which can exist. Set forth is a discussion of each situation. It is still important to know if the IRA accountholder died before or on or after their required beginning date. A beneficiary should discuss the specifics of their situation with their adviser.

The Eight Situations When the IRA Accountholder Dies Before Their Required Beginning Date

Situation #1. The beneficiary is a spouse beneficiary who is the sole beneficiary and the IRA accountholder has died before the required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary has three options with respect to the inherited IRA. Option one is to elect to treat the deceased spouse's IRA as their own IRA. Option two is to use a special life distribution rule. Option three is to use the 10-year rule. Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year.

The IRS has proposed that the spouse beneficiary must make this election by December 31 of the year he or she attains age 72 or December 31 of the following year if the spouse beneficiary is older than age 72.

Situation #2. The beneficiary is a spouse beneficiary who is not the sole beneficiary and the IRA accountholder has died before their required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary has only two options with respect to the inherited IRA. There is no right to treat as his or her own. Option one is to use the standard life distribution rule. Option two is to use the 10-year rule.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year.

Situation #3. The beneficiary is a non-spouse beneficiary who qualifies an EDB (Eligible Designated Beneficiary and the IRA accountholder has died before their required beginning date. An EDB has two options with respect to the inherited IRA. There is no right to treat as his or her own. Option one is to use the standard life distribution rule. Option two is to use the 10-year rule. Once made the election is irrevocable.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year.

A beneficiary will be an EDB if as of the day the IRA accountholder dies the beneficiary is: more than ten years younger than the IRA accountholder, disabled, chronically ill, or a child of the IRA accountholder who is not yet age 21. The beneficiary will need to certify if he or she is an EDB and assume full responsibility for the certification.

Situation #4. The beneficiary is a non-spouse beneficiary who is a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died before their required beginning date. This non-EDB beneficiary must close the inherited IRA under the 10-year rule.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year. It is permissible to have no withdrawals for years 1-9. Many beneficiaries will want to withdraw approximately 10% each year for income tax planning reasons.

Situation #5. The beneficiary is a non-spouse beneficiary who is not a person who does not qualify as an EDB

(Eligible Designated Beneficiary) and the IRA accountholder has died before their required beginning date. This non-EDB beneficiary must close the inherited IRA under the 5-year rule.

Under the 5-year rule the only requirement is to close the inherited IRA by December 31 of the 5th year.

Situation #6. The beneficiary is a non-spouse beneficiary who is not a qualified trust and the IRA accountholder has died before their required beginning date. This non-qualified trust beneficiary must close the inherited IRA under the 5-year rule.

Under the 5-year rule the only requirement is to close the inherited IRA by December 31 of the 5th year.

Situation #7. The beneficiary is a non-spouse beneficiary who is a qualified trust and the IRA accountholder has died before their required beginning date. This qualified trust beneficiary must close the inherited IRA under the 10-year rule.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the10th year.

Situation #8. The beneficiary is an EDB trust and the IRA accountholder has died before their required beginning date. This EDB beneficiary is able to use the life distribution rule using the age of the oldest trust beneficiary to determine the distribution period.

The Eight Situations When the IRA Accountholder Dies On or After Their Required Beginning Date

Situation #9. The beneficiary is a spouse beneficiary who is the sole beneficiary and the IRA accountholder has died on or after the required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary has two options with respect to the inherited IRA. Option one is to elect to treat the deceased spouse's IRA as their own IRA. Option two is to use a special life distribution rule.

The IRS has proposed that the spouse beneficiary must make this election by December 31 of the year he or she attains age 72 or December 31 of the following year if the spouse beneficiary is older than age 72.

Upon the beneficiary's death the subsequent beneficiary must continue the distribution schedule but close it under the 10-year rule.

Situation #10. The beneficiary is a spouse beneficiary who is not the sole beneficiary and the IRA accountholder has died on or after their required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary will use the standard life distribution rule. It will be used for as long as the spouse beneficiary lives. Upon the beneficiary's death the subsequent beneficiary must continue the distribution schedule but close it under the 10-year rule.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Situation #11. The beneficiary is a non-spouse beneficiary who qualifies an EDB (Eligible Designated Beneficiary and the IRA accountholder has died on or after their required beginning date. This non-spouse beneficiary will use the standard life distribution rule. It will be used for as long as the non-spouse beneficiary lives. Upon the beneficiary's death the subsequent beneficiary must continue the distribution schedule but close it under the 10-year rule.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Situation #12. The beneficiary is a non-spouse beneficiary who is a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died on or after their required beginning date. This non-EDB beneficiary must close the inherited IRA under the standard beneficiary life distribution rule, but it must also be closed under the 10-year rule. An example is set forth below. Jane Doe, age 58 in 2021, is the beneficiary of Mary Doe's IRA. Mary was age 81 when she died in 2021. Jane must commence RMD distributions in 2022 and close the inherited IRA by December 31, 2031. See below.

Year	Jane's Age	RMD Divisor	Closeout Deadline
2022	59	28.0	
2023	60	27.0	
2024	61	26.0	
2025	62	25.0	
2026	63	24.0	
2027	64	23.0	
2028	65	22.0	
2029	66	21.0	
2030	67	20.0	
2031	68	1.0	12/31/2031

Note. Although the law permits a beneficiary to only with the RMD for years 1-9, many beneficiaries will decide for tax reasons to take equal (or nearly equal) distributions over the 10 year period.

Situation #13. The beneficiary is a non-spouse beneficiary who is not a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died on or after their required beginning date. This non-EDB beneficiary must close the inherited IRA under a special life distribution rule which is based on the age of the deceased IRA accountholder and the standard beneficiary life distribution rule, but it must be closed under the 10-year rule. An example is set forth below. Sam Doe died in 2021 when he was 78 and his beneficiary is his estate. The divisor for someone age 78 is 12.6. See the RMD calculations set forth.

Year	Sam's Age	RMD Divisor	Closeout Deadline
2022	N/A	12.6	
2023	N/A	11.6	
2024	N/A	10.6	
2025	N/A	9.6	
2026	N/A	8.6	
2027	N/A	7.6	
2028	N/A	6.6	
2029	N/A	5.6	
2030	N/A	4.6	
2031	N/A	1.0	12/31/2031

Note. If the IRA accountholder is older than age 81, then there will be a payout period of less than 10 years in this situation. An individual who is a beneficiary of the estate may have passed through to him or her the right to receive RMD distributions from the estate.

Situation #14. The beneficiary is a non-qualified trust the IRA accountholder has died on or after their required beginning date. The discussion set forth in situation #13 also is to be used for this situation.

Situation #15. The beneficiary is a qualified trust (but not an EDB trust) and the IRA accountholder has died on or after their required beginning date. The beneficiary life distribution rule applies and the measuring life is based on the age of the oldest beneficiary. Upon the death of the oldest beneficiary the IRA must be closed out under the 10-year rule.

Situation #16. The beneficiary is an EDB trust and the IRA accountholder has died on or after their required beginning date. The beneficiary life distribution rule applies and the measuring life is the oldest beneficiary. Upon the death of the oldest beneficiary the distribution schedule continues to apply until the divisor is 1.0.

9.1 IRS Issues Guidance For SIMPLE-IRA Plans In Notice 2024-02

On December 20, 2023 the IRS issued guidance regarding various law changes in the SECURE Act 2.0 impacting SIMPLE-IRA plans.

Change #1 from Section 601. Roth SIMPLE-IRA Contributions.

The IRS clarifies that an employer which sponsors a SIMPLE-IRA plan is not required to amend its plan to offer its eligible employees the right to designate his or her elective deferral contribution or the employer's matching contribution or the employer's nonelective contribution as a Roth contribution. The employer has the right to write the plan to require that all contributions be traditional contributions Congress hopefully will confirm that the IRS position is what Congress intended.

If an employer amends its respective plan to allow its employees the right to elect to have the employer contribution be a "Roth" contribution, then an employee must have the right to decide whether his or her elective deferrals will be standard deferrals, Roth deferrals or a combination of both.

An employer can make a Roth contribution on behalf of an employee only if the employee has previously made his or her election that a Roth contribution is desired.

The IRS does not require that there be a second Roth SIMPLE-IRA plan agreement. The law and the IRS require that a separate account is established for all Roth SIMPLE-IRA contributions and related earning or losses. In many cases there will be improved administrative capabilities if a separate Roth SIMPLE-IRA plan agreement is established.

Once a Roth SIMPLE-IRA contribution is made that contribution type cannot be changed or corrected. It is irrevocable.

An employee who elects to make a Roth SIMPLE-IRA elective deferral is required to include such contributions in taxable income for the year the payroll is paid.

The employer may make its Roth SIMPLE-IRA matching contribution or Roth SIMPLE-IRA non-elective contribution the same year or it might be made the following year An employee is required to include such contributions in taxable income the year the employer makes this type of contribution.

When an employee elects to make a Roth SIMPLE-IRA elective deferrals those deferrals are subject to income tax withholding, FICA and FUTA.

When an employer makes a Roth matching contribution or a Roth nonelective contribution such amount are not subject to income tax withholding, FICA and FUTA.

The employer has the duty for each employee to report these contribution types. The employee will be informed of his or her Roth elective deferrals on Form W-2 and the Codes F or S will be used. The employer's matching or nonelective contributions will be reported on Form 1099-R.

Change #2 from Sections 116 and 117. Increase in SIMPLE-IRA Contribution Limits.

Section 116 permits an employer to make an additional nonelective contribution to eligible employees. This additional contribution may be up to 10% of compensation, but it is limited to $5,000 for each employee. The IRS does not indicate when this change was effective, but it is effective for 2023. The increased limits are available under a SIMPLE-IRA plan only if an employer has not maintained a qualified plan or a 403 plan for basically the same employees during the preceding three years.

Section 117 increases for certain employers the annual limit applying to elective deferrals and the annual limit for making catch-up contributions for persons age 50 or older. The increased limits are 110% of the otherwise applicable limits for 2024. Thus the two limits applying for 2024 to individuals under age 50 are $16,000 and $19,500 and the limit applying to an individuals age 50 or older is either $19,500 or $21,450.

This increase in the limits is automatic for some employers. This increase in the limits is automatic for an employer that has no more than 25 employees who received at least $5000 of compensation for the preceding calendar year.

This increase in the limits will apply to an employer that has more than 25 employees who received at least $5000 of compensation for the preceding calendar year only if the employer so elects. An employer who elects to have the new higher limits apply must increase its matching contribution to be 4% of compensation rather than 3% or the employer must increase its nonelective contribution from 2% of compensation to be 3%.

In determining whether the 25 employee limit is met or exceeded an employer must consider all employees regardless if they are eligible to participate in the SIMPLE-IRA plan. There generally is a 2 year grace period for the 25 employee limit. The grace period does not apply if the increase in the number of employees is on account of an acquisition, or similar transaction.

An employer must notify its eligible employees of the increased limits. This information must be set forth in the annual employer notification. If an employer had to make an election and made such election, it stays in effect until it is revoked by the employer. The IRS does not discuss how the notice was to be furnished for 2024 by an employer who was not required to make any election. CWF recommends sending out a special notice now.

The IRS does discuss how the notice requirement applies to an employer who must make the election to have the increased limits. The IRS states that an employer must make the election before the employer provides the annual notice. This seems to state that an employer will not be able to use the new limits until 2025. Employers will need to discuss and rely on their tax advisers. The fact that the IRS was late in furnishing necessary guidance should not mean that the new limits do not apply for 2024.

Change #3 from Section 332. Replacing A SIMPLE-IRA Plan Mid-Year With a Section 401(k) Safe Harbor Plan.

The law has been changed effective in 2023 so that at any time during the year an employer may terminate its SIMPLE-IRA if the employer adopts as a replacement plan a safe harbor section 401(k) plan. The existing law that an employer is unable to terminate its SIMPLE-IRA plan midyear continues to apply with this one exception. The SIMPLE-IRA plan is replaced with a safe harbor 401(k) plan.

In order to terminate a SIMPLE-IRA plan an employer must adopt a formal written document which specifies the plan's termination date. An employer must notify its employees at least 30 days before the termination date. The employees must be notified that there can be no elective deferral contributions made with respect to compensation earned after such termination date and that an employer remains obligated to make its matching contributions or nonelective contributions for the period prior to the termination date. An employer should also notify the SIMPLE-IRA custodian and payroll provider. An employer must keep the records relating the plan's termination.

Once the plan is terminated there is now a new rule that permits a participant who has not met the 2 year rule but who has taken a distribution to rollover their SIMPLE-IRA funds into the new safe harbor 401(k) plan. This is the only exception to the 2 year rule which provides no rollover is authorized if the 2 year rule has not been met.

An employer will have the duty to furnish a new notice (summary description) to the participants of the safe harbor 401(k) plan describing their rights to make elective deferrals, including what is the maximum amount which may be contributed for the remainder of the year.

A person will have to determine what their maximum contribution amount is. A 401(k) plan has a higher limits than the SIMPLE-IRA plan. The total contribution amount to the safe harbor section 401(k) plan is equal to:

(1) The annual contribution limit for a SIMPLE-IRA plan, including any catch-up multiplied by a fraction equal to the number of days the SIMPLE-IRA plan was in effect divided by 365, plus

(2) The annual 401(k) contribution limit for a 401(k) plan, including any catchup amount multiplied by a fraction equal to the number of days the 401(k) is in effect divided by 365, minus

(3) Any SIMPLE-IRA contributions made for the year.

Although the law has been changed to allow an employer to replace its SIMPLE-IRA plan with a safe harbor 401(k) plan, many small employers may for simplicity reasons choose to terminate its 401(k) plan and replace it with a SIMPLE-IRA plan. That change, however, may not take place midyear.

9.2 Discussion of the additional contribution limits applying to SIMPLE-IRA Contributions. The following discussion is also set forth in the Summary Description which the employer is to furnish the participants.

Benefits Provided by the SIMPLE Retirement Plan

1. The Right to Make Elective Deferrals

All eligible employees may elect to defer a portion of their salary through the SIMPLE retirement plan into their individual SIMPLE-IRA account. The election to defer a portion of salary must be expressed using a percentage of the employee's salary. The employee's taxable income for 2026 will be reduced by the amount the employee elects to defer into the standard SIMPLE-IRA plan. This reduction does not occur if the employee designates their elective deferral as a Roth SIMPLE-IRA. The deferral amount is excluded from income for federal income tax purposes but will be subject to FICA and FUTA taxes. All employee deferrals must be deposited by the employer into the employee's SIMPLE-IRA within 30 days after the end of the month in which the deferral was made.

For 2026 the IRS has issued the following guidance regarding the maximum amount a person may effectively defer. SECURE Act 2.0 authorized a 10% increase in the standard elective deferral contribution amount. The standard elective deferral amounts are $17,000 for those not yet age 50 and $21,000 for those age 50 or older. This 10% increase is automatic if an employer has less than 26 employees who had compensation of at least $5,000 for the prior year. If an employer has 26 or more eligible employees, then a participant is permitted to make the larger elective deferral only if the employer has increased its matching contribution to 4% from 3% or it has increased the non-elective contribution rate from 2% to 3%.

If a participant is age 60-63, then he or she has the right to elect to use a special catch-up amount rather than the standard catch-up amount. For 2025 and 2026, this alternative or special catch-up amount is $5,250.

By checking here ❍ we acknowledge we had 26 or more employees and that we have elected to make either the 4% matching contribution or the 3% non-elective contribution. If the box is not checked, then the standard elective contribution rules apply.

The following chart sets forth the maximum elective deferral limits when the employer has less than 26 employees or when the employer has made the special election and has 26 or more employees.

Under age 50	$18,100 ($16,000 +1600 +$500)
Over age 50 but not 60 -63	$21,950 ($19,500 + $1950 +$500)
Age 60-63	$23,350 ($18,100 + $5250)

The following chart sets forth the maximum elective deferral limits when the employer who has 26 or more employees has not adopted the 4% or the 3% rates.

Under age 50	$17,000
Over age 50 but not 60 -63	$21,000
Age 60-63	$22,.250 ($17,000 + $5250)

Roth SIMPLE-IRA Contributions

❍ If this is checked, then the Employer has amended the SIMPLE-IRA plan to authorize that an eligible employee may designate his or her elective deferrals as Roth SIMPLE-IRA contributions and may designate the contribution(s) made by the employer as Roth SIMPLE-IRA contributions. No Roth SIMPLE/IRA contributions are permissible if the circle is not checked.

2. Employer's Duty and Right to Make Contributions

The employer will make contributions to the SIMPLE plan using one of two methods as specified below.

❍ 1. <u>Matching Contribution</u>. The employer will make a matching contribution on behalf of all employees who have elected to defer a portion of their salary. The employer's matching contribution will be a dollar-for-dollar match, up to ________% (not to exceed 3% or 4% as applicable) of the employee's compensation for the 2026 calendar year. **NOTE:** If this option is chosen, the employer must make a matching contribution of up to 3% at least three out of every five years. The matching contribution rate can be reduced to either 2% or 1% for two years out of every 5-year period.

❍ 2. <u>Nonelective Contribution</u>. The employer will make a contribution of 2% or 3% of compensation as applicable for all eligible employees who have earned at least $5,000 during the 2026 calendar year. No more than $360,000 in compensation can be taken into account in determining the nonelective contribution for each eligible employee. See the special note on page 2. The compensation amount of $360,000 is also subject to a cost of living adjustment each year. The employer matching or nonelective contributions must be made by the employer's tax-filing deadline. The employer is entitled to deduct such contributions in its taxable year within which the calendar year for which the contributions were made ends.

❍ 3. <u>Additional Discretionary Contribution.</u> The SECURE Act 2 now authorizes an employer which has amended its plan to make a discretionary profit sharing type contribution in addition to making the matching or the non-elective contribution. This additional contribution may be up to 10% of an eligible employee's compensation, but is limited to $5,000. An eligible employee is to be notified if and when a discretionary contribution is made.

The SIMPLE-IRA plan has ❍ or has not ❍ been amended so that the employer may make the discretionary contribution.

Salary-Reduction Election Information

All eligible employees may make an election to defer a portion of their salary during the 60-day period immediately prior to the beginning of 2026, or pursuant to other procedures which the IRS authorizes. During this 60-day period, the employee may also elect to modify any previous salary-reduction election. The salary-reduction election must be made on the form provided with this disclosure and returned to the employer on or before January 1, 2026. If this plan is effective after January 1, 2026, then the effective date shall be ______________________, and an employee's salary-reduction form must be returned to the employer during the 60-day period which commences on the day before the date the employee becomes eligible.

The employer ❍ will, or ❍ will not permit an employee to increase or decrease his or her deferral instruction. If permitted, such change will be effective as of _______________(insert a period or periods, daily, monthly, quarterly, etc.) and the employee must furnish the change instruction before such date. An employee always has the right to terminate his or her deferral instruction, effective immediately. The employer ❍ will or ❍ will not (choose one) permit an employee who has terminated his or her deferral instruction at a time other than the allowable period detailed above, to resume salary reduction.

9.3 Approved as to Form. Your SIMPLE-IRA has been approved as to form for use as a SIMPLE-IRA by the IRS. This approval as to form does not represent a determination of the merits of such SIMPLE-IRA or its investments.

9.4 Further SIMPLE-IRA Information. You may obtain further information about SIMPLE-IRAs from any district office of the IRS. IRS Publication 560 discusses SIMPLE-IRAs very thoroughly.

9.5 Financial Disclosure Information. You are to refer to the application page, the reverse side of the application page, and the Financial Disclosure Section of this plan document for this information.

9.5 Administrative Fees or Costs. We have the right to charge service fees as indicated in Article VIII.

9.7 Applicability of Revocation Procedure. You are entitled to revoke or cancel your SIMPLE-IRA for any reason within seven (7) calendar days of the day you established it. You revoke your SIMPLE-IRA by mailing or delivering a written notice to the Custodian's representative as shown on the application page. If you mail your notice, it is deemed mailed on the postmark date if you deposited it, properly addressed, in the United States mail with first class postage. Your timely revocation within the first seven days will mean your original contribution will be returned to you without any adjustment. Be advised that the current procedures of the Internal Revenue Service require us to report your contribution and distribution even if you exercise this right to revoke your SIMPLE-IRA.

10.1 Summary of Contractual Terms

10.2 You must refer to your savings or time deposit agreement(s) for the terms which govern the investment of your SIMPLE-IRA deposits, including an early withdrawal penalty or fee for taking a distribution prior to maturity, if applicable.

10.3 You have the right to designate a beneficiary or beneficiaries to inherit your SIMPLE-IRA account. Refer to Section 1.6 of Article VIII so that you can understand the rules and procedures.

10.4 You do not have any ability to assign your rights in this SIMPLE-IRA.

10.5 We may charge fees as set forth in section 1.20 of Article VIII.

10.6 We may amend the terms of this SIMPLE-IRA from time to time to comply with law changes. If we amend it for any other reason such amendment becomes effective 30 days after we have sent our notice of amendment to you.

10.7 You are to refer to Article VIII for the following topics: withdrawals, withholding rules, reporting errors, changes in the SIMPLE-IRA custodian or trustee, good faith payments, termination and resignation of the SIMPLE-IRA custodian or trustee, withholding payments and resolution of disputes, transfer and rollovers and payment of taxes.