



# CYPEN & CYPEN NEWSLETTER for April 25, 2019

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Never Forget September 11, 2001  
and  
Always Remember May 2, 2011

## **1. SOME PEOPLE GET MORE TIME TO FILE WITHOUT ASKING; ANYONE ELSE CAN REQUEST AN AUTOMATIC EXTENSION:**

Anyone can request an automatic tax-filing extension, but some people get extra time without asking, according to the Internal Revenue Service. The IRS estimates that more than 14.6 million taxpayers will get an automatic extension this filing season, either by filing a form or making an electronic tax payment. But some taxpayers, such as disaster victims, those serving in a combat zone and Americans living abroad, get more time, even if they don't ask for it. Here are details on each of these special tax-relief provisions.

### **Victims of certain federally declared disasters**

Some disaster victims may have extra time to file their tax returns and pay any taxes due. Currently, taxpayers affected by the Nov. 30, 2018, earthquake in parts of Alaska have until April 30, 2019, to file and pay. Similarly, those affected by the March 3, 2019,

tornadoes and severe storms in parts of Alabama have until July 31, 2019, to file and pay. Residents of California impacted by wildfires on Nov. 8, 2018, have until April 30, 2019, to file and pay. And the March 9, 2019, winter storms and flooding in parts of Nebraska and the March 12, 2019, severe storms and flooding in parts of Iowa have until July 31, 2019, to file and pay. This relief applies to tax returns and tax payments currently due within the relief periods. The IRS automatically provides filing and penalty relief to any taxpayer with an IRS address of record located in the disaster area. Thus, taxpayers need not contact the IRS to get this relief. However, if an affected taxpayer receives a late filing or late payment penalty notice from the IRS that has an original or extended filing, payment or deposit due date falling within the postponement period, the taxpayer should call the number on the notice to have the penalty abated. This relief also includes additional time for making a 2018 IRA contribution and making estimated tax payments. For details on other available relief, visit the [Around the Nation](#) page on IRS.gov.

### **Combat zone taxpayers**

Military service members and eligible support personnel serving in a combat zone have at least 180 days after they leave the combat zone to file their tax returns and pay any taxes due. This includes those serving in Iraq, Afghanistan and other combat zones. A complete list of designated combat zone localities can be found in [Publication 3](#), Armed Forces' Tax Guide, available on IRS.gov. Combat zone extensions also give affected taxpayers more time for a variety of other tax-related actions, including contributing to an IRA. Various circumstances affect the exact length of the extension available to any given taxpayer. Details, including examples illustrating how these extensions are calculated, can be found in the Extensions of Deadlines section in Publication 3.

### **Taxpayers outside the United States**

U.S. citizens and resident aliens who live and work outside the U.S. and Puerto Rico have until June 17, 2019 to file their 2018 tax returns and pay any taxes due. They actually have two extra days because the normal June 15 extended deadline falls on Saturday this year. The special June 17 deadline also applies to members of the military on duty outside the U.S. and Puerto Rico who do not qualify for the longer combat zone extension. Affected taxpayers should attach a statement to the tax return explaining which of these situations apply. Though taxpayers abroad get more time to pay, interest -- currently at the rate of six percent per year, compounded daily -- applies to any payment received after the April deadline. For more information about the special tax rules for U.S. taxpayers abroad, see [Publication 54](#), Tax Guide for U.S. Citizens and Resident Aliens Abroad, on IRS.gov.

### **Everyone else**

Taxpayers who don't qualify for any of these three special situations can still get more time to file by submitting a request for an automatic extension of time to file. This will extend their deadline to file until Oct. 15, 2019. However, their tax payments are still due by the April due date. An easy way to get the extra time is through [Free File](#) on IRS.gov. In a matter of minutes, anyone, regardless of income, can use this free service to electronically request an extension on [Form 4868](#). To get the extension, taxpayers must estimate their tax liability on this form. Another option is to pay electronically and get a tax-filing extension. The IRS will automatically process an extension when a taxpayer selects Form 4868 and makes a full or partial federal tax payment by the April due date using Direct Pay, the Electronic Federal Tax Payment System (EFTPS) or a debit or credit card. Under this option, there is no need to file a separate Form 4868. Electronic payment options are available at [IRS.gov/payments](#).

Issue Number: IR-2019-73, IRS Newswire, April 12, 2019.

## **2. 10-YEAR EQUITY RALLY ISN'T ENOUGH TO RAISE PUBLIC PLANS' FUNDED STATUS:**

U.S. public pension plans' funded status dropped in the 10 years ended 2018, during a period when equities rallied, said Ashwin Alankar, portfolio manager and head of global asset allocation and risk management at Janus Henderson Investors at The Pension Bridge Annual conference in San Francisco. "Risky assets (equities) have had a phenomenal ride," over the 10-year period, Mr. Alankar said Wednesday. U.S. pension plans benefited from the rally in risky assets, but the benefit was only partial, he said. "Despite the rally, pension plans' funded status did not improve" from 2008 to 2018, Mr. Alankar said. "Compounding matters is that liabilities have not let up," he said. If pension plans haven't been able to improve their funded status in an era of a rally in risky assets, "one potential solution is we can take more risk in our portfolios," Mr. Alankar said. During breaks, consultants and pension officials queried by *Pensions & Investments* attributed the failure of the bull market to help their funded status to employers failing to consistently make their actuarial contributions to the plans or pension fund being too risk adverse. In a separate panel, with Elizabeth T. Burton, CIO of \$16.8 billion [Hawaii Employees' Retirement System](#), Honolulu; John Claisse, CEO at Albourne Partners; Ryan LaFond, deputy CIO of Algert Global; and R. Christian Wyatt, head of multistrategy research at Angelo, Gordon & Co., highlighted that while hedge funds have had a tough time lately, investors shouldn't count the industry out. "The hedge fund industry has plateaued, but the strategy has continued to expand," Mr. Claisse said. "The outlook for hedge funds is quite positive with the exception of long/short strategies." Rapid advances in what used to be called "alternative data" that had helped long/short managers outperform are now widely available, Mr. Wyatt said. Long/short managers used to fly around the country to capture data such as numbers of people exiting a store or satellite images of trucks and their

destinations, but technology has commoditized this data, Mr. Wyatt said. "Their methods are now systematic," Mr. Wyatt said. To survive, these managers need to cut their fees and integrate the quantitative approach into their strategies, he said. Hawaii doesn't invest in traditional hedge funds, said Ms. Burton, who until July had been managing director, quantitative strategies group at the \$46.3 billion Maryland State Retirement & Pension System, Baltimore. "Not every hedge fund is the same," she said. Ms. Burton added that hedge fund investments are "not going to work" for short-term investors. "Performance has not been fantastic," Ms. Burton said. However, "I can't think of anything other than a Ponzi scheme" that never underperforms, she added. At the Maryland pension fund, she said she was limited to not taking more than 0.2 beta in portfolio volatility. She likened the limitation to parents giving their high school-age child a 10 p.m. curfew and locking the door "but the window is still open," Ms. Burton said. "You can't have rules. ... You have to tie in incentives to make sure the manager has incentive to find the best fit." At Maryland, she said she was hindered by a static allocation to hedge funds. When asked for her favorite hedge fund strategy, she gave two: quantitative multistrategy managers to find uncorrelated investments and general partner stakes for the consistent coupon or income as well as for diversification. Arlene Jacobius, *Pensions & Investments*, April 10, 2019.

### **3. THIS NEW SOCIAL SECURITY BILL COULD MAKE SOCIAL SECURITY EVEN BETTER:**

The Social Security actuaries project a program deficit over the next 75 years of 2.84% of taxable payrolls. This deficit reflects the combination of rising costs and constant levels of income. The increasing costs are the result of a slow-growing labor force and the retirement of baby boomers, which raises the ratio of retirees to workers. Social Security's deficit can be eliminated either by bringing up the income rate or lowering the cost rate. The Social Security 2100 Act, proposed by Representative John Larson (D-Conn.), chairman of the House Ways and Means Subcommittee on Social Security; Senator Richard Blumenthal (D-Conn.); and Senator Chris van Hollen (D-Maryland), retains -- and even slightly enhances -- benefits and substantially increases the income rate. I think this is the right approach. The legislation, which currently has 202 co-sponsors in the House of Representatives, includes four benefit enhancements:

1. Uses the Consumer Price Index for the Elderly (CPI-E) to adjust benefits for inflation. The CPI-E rises faster than the current index (the CPI-W).
2. Raises the first factor in the benefit formula from 90% to 93%, which would slightly raise replacement rates for all.
3. Increases thresholds for taxation of benefits under the personal income tax, which would allow middle-class workers to keep more of their benefits.

4. Increases the special minimum benefit for those with very low earnings.

To pay for these benefit enhancements and, more important to eliminate the 75-year deficit, the legislation increases income to the program in two significant ways:

1. Raises the combined OASDI payroll tax of 12.4 by 0.1% a year until it reaches 14.8% in 2043.
2. Applies the payroll tax on earnings above \$400,000 and on all earnings once the taxable maximum reaches \$400,000, with a small offsetting benefit for these additional taxes.

Enactment of these benefit and revenue provisions would change Social Security's long-range deficit from 2.84% of taxable payroll under current law to a positive actuarial balance of 0.25%. This Larson-Blumenthal-Van Hollen proposal is not only appealing to me but also helpful for the required debate about how to fix Social Security. The American people need to let their representatives in Congress know how they would like the elimination of Social Security's 75-year shortfall allocated between benefit cuts and tax increases -- 100% with benefit cuts, 100% with tax increases; 50%/50%; 75%/25%; or 25%/75%? My guess is that Americans are willing to pay more taxes to retain current benefits under this crucial program. Alicia H. Munnell, MarketWatch, February 23, 2019.

#### **4. WE WORK TO GET YOU MONEY BACK:**

The Federal Trade Commission (FTC) brings lawsuits to stop unfair and deceptive business practices. One way we help right those wrongs is by getting refunds to people who lost money. And from July 2017 to June 2018, people got more than \$2.3 billion in refunds from FTC cases. Earlier this week, the FTC [released our annual report](#) announcing these results. [A new map](#) shows how much money and how many checks the FTC mailed to each state, so you can see the FTC refunds sent to people in your area. You also can find out how the FTC knows who should get refunds and the steps we take to return as much money as possible. Getting your money back is important to you -- so it's important to us. We can't get money back in every case, and we can't always get every dollar that people lost. But we do our best. Check out [ftc.gov/refunds](https://www.ftc.gov/refunds) to learn about active FTC refund programs. And help us get the word out about refunds by sharing that link with your family, friends, and community. If you spot a scam, report it at [ftc.gov/complaint](https://www.ftc.gov/complaint). We use these reports to go after companies who have defrauded consumers and sometimes to identify people who lost money to businesses we sued. Nicole Christ, Redress Program Manager, FTC, Federal Trade Commission, February 15, 2019.

## **5. PUBLIC PENSION PLAN SPONSORS STRUGGLE TO CONTRIBUTE SUFFICIENTLY TO PLANS:**

Between 2005 and 2016, employer contributions to 133 large state and municipal pension plans more than doubled from \$42.4 billion to \$88.1 billion; however, during that same period, the unfunded liabilities of these plans grew 245% from \$290 billion in 2005 to \$1.0 trillion in 2016, according to an analysis from the Society of Actuaries (SOA). Most of the plans studied received insufficient contributions to reduce their unfunded liabilities, assuming all actuarial assumptions were met exactly. In 2003, while still feeling the impact of the dot-com market crash, 55% of plans received insufficient contributions to reduce their unfunded liabilities. After reeling from the 2008 market crash, the percentage of such plans peaked at 84% in 2011 before falling to about 63% for 2016 and 2017. The study considers three primary benchmarks for assessing employer contributions to public pensions:

- **Target Contribution** – Since 2014, the target contribution is the actuarially determined contribution (ADC) computed by the plan actuary for disclosure under Government Accounting Standards Board (GASB) guidelines, if such a figure was reported. The ADC may or may not represent the contribution determined under the plan's funding policy. In some cases, the target contribution represents a value reported as "required contribution" or something similar. For years prior to 2014, the target contribution represents a similar concept, the annual required contribution (ARC) as GASB required prior to 2014. The analysis compares the target contribution for a given fiscal year to the contributions made for the same fiscal year.
- **Reduce unfunded liability as a dollar amount (UL\$)**. In technical terms, this benchmark is the cost of current benefit accruals (normal cost) with interest to mid-year plus a year's interest on the unfunded liability, discounted for payment at mid-year. This benchmark reflects a common understanding of funding pension plans.
- **Reduce unfunded liability as a percent of payroll (UL%)**. Except for the interest rate, the formula for computing this benchmark is the same as for reducing UL\$. In this case, the interest rate is net of assumed payroll growth. This benchmark reflects another common but somewhat more complex understanding of funding pension plans relative to budgeting of salary-related employee costs.

The analysis found the percentage of plans receiving contributions at least equal to their Target Contribution remained somewhat stable during the years studied. In fiscal year 2003, 54% of plans received at least their Target Contribution, and 51% of plans received at least their Target Contribution in fiscal year 2017. Between 2003 and 2017, the percentage of plans that received at least their Target Contribution ranged from 44% to

62%, but neither consistently above nor consistently below 50%. The percentage of plans that received insufficient contributions to reduce their UL\$ increased from 55% in 2003 to 72% in 2005, at least partly a result of the dot-com crash in the early 2000's. By 2008, generally prior to the 2008 market crash, the percentage was down to 58%, only slightly above the 2003 level. While most plans at the start of 2008 received insufficient contributions to reduce their UL\$, the contributions of 42% of plans did reduce their UL\$. At the worst point following the 2008 market crash, the percentage of plans that received insufficient contributions to reduce their UL\$ peaked at 84%, in 2011. Since then the percentage generally declined to 63% for 2016-2017, meaning that 37% of plans received sufficient contributions to reduce their UL\$. Some plans that received insufficient contributions to reduce their UL\$ did receive sufficient contributions to reduce their UL%. In 2003, 16% of plans received sufficient contributions to reduce their UL\$, but 36% of plans received sufficient contributions to reduce their UL%. In 2017, 35% of plans received sufficient contributions to reduce their UL\$, but 77% of plans received sufficient contributions to reduce their UL%. In general, the proportion of plans with unfunded liabilities has been increasing since the dot-com crash. In 2003, 29% of plans had a funding surplus, meaning 71% had unfunded liabilities. By 2009, 88% of plans had unfunded liabilities, and in 2017, 97% of plans had an unfunded liability. Authors of the study report analyzed the 107 plans that had at least 14 years of data sufficient for analysis and an unfunded liability in at least one of those years (the 14 years may not be consecutive). During 2002 to 2017, many of the plans regularly received insufficient contributions to reduce their unfunded liabilities. Of the 107 plans studied, 86 plans (80%) received insufficient contributions to reduce their UL\$ at least half of the time, while 40 plans (37%) received insufficient contributions to reduce their UL% at least half of the time. Twelve plans (11%) always received insufficient contributions to reduce their UL\$, but no plans' contributions were always insufficient to reduce their UL%. On the other end of the spectrum, 7 plans (7%) always received sufficient contributions to reduce their UL\$, 12 plans (11%) always received sufficient contributions to reduce their UL%. The SOA report concludes that plans that received insufficient contributions to reduce their UL\$ in the short term may have a funding policy that will fully fund the plan over the long term. However, a significant portion of these plans received less than their target contributions, which may indicate that their plan sponsors were not following the plans' funding policies. The amortization approach, if any, used in computing the target contribution can influence whether contributions reduce the unfunded liability as a dollar amount. When the amortization approach does not reduce the UL\$, the amortization approach is said to entail negative amortization. The SOA concedes that employer contribution amounts are only one of many factors that influence pension plans' funded status, including approaches to plan, cost and risk management; asset allocation; investment experience; changing plan demographics; actuarial methods and assumptions for computing plan

liabilities; relatively long budget planning cycles; and contribution decisions that may be subject to legislative processes. See full report [here](#). Rebecca Moore, Plansponsor, February 14, 2019.

## **6. GOING BROKE REMAINS TOP CONCERN IN RETIREMENT: SURVEY OF CPA FINANCIAL PLANNERS:**

Of all the concerns impacting Americans' retirement today, running out of money, maintaining their lifestyle and rising healthcare expenses continue to top the list. This according to the American Institute of CPAs (AICPA) [Personal Financial Planning Trends Survey](#) which was conducted August 20 through September 24, 2018 and includes responses from 631 CPA financial planners. Running out of money is the top financial concern of clients planning for retirement, cited by 30 percent of CPA financial planners. This reflects an improvement from the AICPA's [2016 survey](#), which found 41 percent of clients listing it as a top concern. This is likely due to the economy's steady improvement over the last few years, with the stock market continuing to climb despite volatility. Clients worried about maintaining their current lifestyle and spending level (28 percent) in retirement was a close second financial concern. Stress from rising health care costs (18 percent) was a distant third. However, with medical costs forecast to continue growing throughout [2019](#), it is not surprising that this concern is up 7 percentage points from 2016. "There's been a relatively steady increase in asset values over the last few years. This, in turn, has led to stronger client balance sheets and presumably increased confidence that their money will continue working for them well into retirement," said Michael Landsberg, CPA/PFS member of the AICPA Personal Financial Planning Executive Committee. "Of course, all of this can change which is why it is important to revisit asset allocation, make appropriate adjustments and ensure your savings and investments will be able to fund the lifestyle you envision in retirement." Nearly half (48 percent) of clients have expressed concerns about outliving their money, according to the survey. Interestingly, that outweighs the 39 percent of planners who have concerns about their clients outliving their money. This underscores the extent to which even well-positioned clients are stressed over the prospect they'll outlive their cash. When asked about the top three sources of client financial and emotional stress concerning outliving their money, healthcare costs (77 percent), market fluctuations (53 percent) and unexpected costs (50 percent) were cited as the top issues. Additional causes for financial stress include lifestyle expenses (42 percent), the possibility of being a financial burden on their relatives (22 percent) and the desire to leave an inheritance for their children (21 percent). "A sophisticated financial plan takes into account both the client's financial and emotional concerns," said Andrea Millar, CPA/PFS, Association of International Certified Professional Accountants Director of Financial Planning. "To mitigate the fear of the unknown, CPA financial planners map out a wide range of future scenarios, establish long term goals and work with their clients to

ensure they have adequate coverage to cover the healthcare costs that may crop up in their retirement ahead.” Even with adequate planning, retirement becomes more complicated as clients age. In fact, 57 percent of CPAs are seeing long term care issues impact their clients’ retirement planning more frequently than they did five years ago. Only one percent saw this issue crop up less often, with 42 percent saying they had not seen a change. Fifty percent of CPAs saw an increase in clients taking care of aging relatives, with only 3 percent seeing this issue less often, and 47 percent saying about the same as five years ago. The survey also found 45 percent of CPAs citing diminished capacity as an issue impacting clients’ retirement planning more often (3 percent less often, 53 percent about the same) than five years ago. Collectively, these issues demonstrate the competing challenges individuals face when planning for their retirement and the need for expert planning advice to meet their goals. On a positive note, as the labor market has continued to improve more than a third (36 percent) of CPAs said job loss is impacting their clients’ retirement planning less often compared to five years ago (55 percent about the same, 9 percent more often). “It is incumbent on financial planners to act sooner than later when planning for their client’s late retirement years. Particularly, they should address client concerns about long-term care and the prospect of diminished capacity to ensure their clients wishes will be carried out,” added Millar. Despite a number of concerns, the overall retirement picture for clients of CPA financial planners is improving. When asked to compare their clients’ current situation to five years ago, half of CPA financial planners (50 percent) say their clients have more confidence they’re ready for retirement. That outweighs the third (33 percent) that stated they find their clients to be less confident. Another 17 percent saw no change. To help Americans feel more confident about their retirement readiness, members of the American Institute of CPAs’ Personal Financial Planning Executive Committee have put together these 5 tips:

**1. Don’t Wait, Explore Long Term Care Coverage Early.**

As individuals are living longer lives, having a plan in place for a serious illness or incapacity is critical for maintaining peace of mind. Individuals should first consider all the options available for dealing with prolonged medical and personal care in a way that accomplishes their goals within the constraints of their financial situation. Individuals should compare the relevant options such as traditional long-term care insurance, hybrid long term care insurance, Medicaid options, or self-insuring. However, they should not wait to explore coverage options. Applicants over 70 years old run an increased risk of being denied long-term care insurance due to health issues.

**2. Don’t Look at Your Portfolio Too Often.**

In any given year, the stock market has an approximately 70% chance of going up in

value. However, on a daily basis that likelihood decreases to approximately 53%. Just understand that markets will fluctuate wildly in both directions but have historically gone up over long periods of time. Checking your portfolio daily can tempt investors to make short-sighted decisions that can easily derail an otherwise sound portfolio allocation.

### **3. Ramp up Savings by Taking Advantage of Catch-Up Contributions Once Age 50.**

Catch-up contributions are a great strategy for those who are age 50 and over and looking to secure the likelihood of a successful retirement. Individuals age 50 and over can make an additional \$6,000 contribution to their 401(k) or most other employer-sponsored retirement plans for 2019. For IRAs, an individual can contribute an additional \$1,000.

### **4. Have a Tax-Efficient Drawdown Strategy.**

Be sure to have a plan for how to best consume retirement savings tax-efficiently in retirement. Without thoughtful planning, taxes can take a hefty bite out of cash flow and that's especially painful when living on a fixed income in retirement. It's critical to be mindful of retirement withdrawals bouncing you into a higher tax bracket, affecting taxes on Social Security benefits, and triggering higher capital gains taxes and other adverse tax consequences.

### **5. Plan to Pay off or Pay down Debt Before Retirement.**

As individuals enter retirement and reach the end of the accumulation phase of their life, the continued use of debt should be revisited. Debt is generally unfavorable for individuals in retirement as it hurts their cash flow. Managing cash flow is critical because retirees typically live on a fixed income derived from their investment portfolio, social security, and pension plans. When approaching retirement, it is prudent to review all outstanding liabilities and decide whether any debt should be paid down or paid off while you still have the financial flexibility to do so.

#### **Additional PFP Trends Findings:**

- Seven in ten CPA financial planners (70 percent) say they discuss their clients' estate plans with them at least once a year, and nearly a quarter (23 percent) do it once every 3-5 years.

American Institute of CPAs, February 14, 2019.

## **7. THE IMPORTANCE OF PROPER BENEFICIARY DESIGNATIONS:**

When an individual names a trust as the beneficiary of an individual retirement account rather than naming the intended individuals directly as beneficiaries, confusion often occurs. A recent Private Letter Ruling (113758-18), released on Jan. 4, 2019, illustrates the importance of proper beneficiary designation in retirement accounts. The PLR addressed the issue of whether a taxpayer had acquired the IRA of her deceased spouse directly from him, rather than his estate or trust, and whether the assets from the rollover of the decedent's IRA into the spouse's IRA account(s) within 60 days would be includable in her gross income for purposes of income tax in the year of distribution. The Internal Revenue Service ruled that the spouse received an IRA from her deceased spouse and not from the spouse's estate, that she could roll over the IRA into IRAs established in her own name and that she wasn't required to include the rolled-over distribution in her gross income in the year of distribution.

### **Renunciation and Disclaimer**

The decedent was survived by his spouse (taxpayer), along with a son and two grandchildren. His only IRA named his trust as the sole beneficiary with no contingent beneficiary. Within nine months of the decedent's death, the trustee of the trust signed a "Renunciation and Qualified Disclaimer" of any interest in the IRA. Also within nine months after the decedent's death, the son and both grandchildren executed "Renunciation and Qualified Disclaimers" of any interest they may have in the IRA under the decedent's estate.

### **Taxpayer's Request**

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### **Taxpayer's Request**

The taxpayer requested the following rulings:

1. The taxpayer, as the decedent's spouse, would be treated as having acquired the IRA directly from the decedent, and not from the decedent's estate or trust.
2. The taxpayer is eligible to roll over the decedent's IRA to one or more IRAs established and maintained in her own name in accordance with Internal Revenue Code Section 408(d)(3)(A)(i), provided that the rollover occurs no later than 60 days after the proceeds of the decedent's IRA are distributed.
3. The taxpayer wouldn't be required to include the amount distributed from the decedent's IRA in her gross income for federal income tax purposes for the calendar year in which the distribution and rollover occur.

### **IRC Section 408(d)**

In reviewing the applicable law, the IRS found that IRC Section 408(d)(1) provides that, except as otherwise provided in IRC Section 408(d), any amount paid or distributed out of an IRA shall be included in gross income by the payee or distributee as provided under IRC Section 72. The IRS applied Section 408(d)(3)(A), which provides that "Section 408(d)(1) does not apply to any amount paid or distributed out of an IRA to the individual for whose benefit the account is maintained if: (i) the entire amount received (including money and any other property) is paid into an IRA for the benefit of such individual not later than the 60th day after the day on which he receives the payment or distribution; or (ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to section 408(d)(3))."

### **Taxpayer Becomes Beneficiary After Disclaimer**

The IRS reasoned that, although the trust was designated as the beneficiary of the decedent's IRA because the trust disclaimed its interest in the IRA, the IRA then passed

on to the decedent's estate. Because the son and both grandchildren all disclaimed their interests in the IRA, this void resulted in taxpayer being entitled to the IRA as the beneficiary of the decedent's estate. Accordingly, for purposes of applying Section 408(d)(3)(A), the taxpayer was effectively the individual for whose benefit the IRA was maintained. Thus, she was entitled to roll over the distribution from the inherited IRA (other than those required minimum distribution amounts required to have been distributed or to be distributed in accordance with Section 401(a)(9)) into an IRA established and maintained in her name.

### **Rollover Allowed**

The IRS concluded that:

1. In applying Section 408(d)(3), the taxpayer, as the decedent's spouse, will be treated as having acquired the IRA directly from the decedent, and not from the decedent's estate or trust.
2. The taxpayer is eligible to roll over the inherited IRA to one or more IRAs established and maintained in her own name pursuant to Section 408(d)(3)(A)(i), provided that the rollover occurs no later than 60 days after the IRA proceeds are distributed.
3. The taxpayer won't be required to include the amount distributed from the IRA and rolled over into her own IRA account in her gross income for federal income tax purposes for the calendar year in which the distribution and rollover occur, provided the rollover contribution meets the requirements of Section 408(d)(3).

Lena Rizkallah, WealthManagement.com, February 13, 2019.

### **8. U.S. INFRASTRUCTURE COOLS IN 2018; PENSION FUND INTEREST CREEPS HIGHER:**

There were 690 private-capital infrastructure deals closed in 2018 covering \$65 billion in investment, according to data from Preqin. Both deal size and the number of deals were down from 2017, when 883 deals were closed for an aggregate value of \$100 billion. The average deal size was \$90 million in 2018, down from \$110 million the year before and the smallest average deal size since \$70 million in 2010. Energy infrastructure deals made up almost two-thirds of all U.S.-based deals. Renewable energy projects were the most prevalent at 45.1% of all deals, while conventional energy deals were about one-fifth of total activity. The largest U.S. pension plans allocated about \$31 billion to infrastructure as of Sept. 30, 2018, according to data from Pensions & Investments. The average allocation was 1.9% in 2018, up slightly from 1.8% in 2017. Charles McGrath, *Pensions & Investments*, February 12, 2019.

**9. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:**

If a man could have half of his wishes, he would double his troubles.

**10. PONDERISMS:**

How can something be "new" and "improved"? If it's new, what was it improving on?

**11. INSPIRATIONAL QUOTES:**

Notice that the stiffest tree is most easily cracked, while the bamboo or willow survives by bending with the wind. - Bruce Lee

**12. TODAY IN HISTORY:**

On this day in 1954, Bell labs announces the 1st solar battery made from silicon. It has about 6% efficiency.

**13. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**

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