

Preparing Your IRA for 2023 Taxes & Changes





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Agenda




- 1 About Entrust
- 2 2023 Dates & Deadlines IRA Holders Should Know
- 3 New Limits, Ranges & Cost-of-Living Adjustments
- 4 Tips for the Upcoming Tax Season
- 5 Q&A Time

Meet Your Presenter

John Paul Ruiz

Director of Professional Development at The Entrust Group



-  28 Years of retirement education development
-  Educating investors and professionals on tax-preferred retirement accounts
-  CISP & QKA certified

About Entrust



\$4B

Assets Under
Administration



22k

Active
Accounts



40

Years of
Service



1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds



All securities and investments are held in a retirement account administered by a regulated custodian or trustee

2023 Dates & Deadlines IRA Holders Should Know

January 31

- Fair Market Valuation (FMV) Statement
- Required Minimum Distribution (RMD) Statement
- IRS Form 1099-R

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Gross distribution	2023		Form 1099-R
		2a Taxable amount			
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		Copy 1 For State, City, or Local Tax Department
PAYER'S TIN	RECIPIENT'S TIN	3 Capital gain (included in box 2a)	4 Federal income tax withheld		
		\$	\$		
RECIPIENT'S name		5 Employee contributions/ Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities		
		\$	\$		
Street address (including apt. no.)		7 Distribution code(s)	IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other	
				\$	%
City or town, state or province, country, and ZIP or foreign postal code		9a Your percentage of total distribution	9b Total employee contributions		
		%	\$		
10 Amount allocable to IRR within 5 years	11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld	15 State/Payer's state no.	16 State distribution
\$			\$		\$
Account number (see instructions)		13 Date of payment	17 Local tax withheld	18 Name of locality	19 Local distribution
			\$		\$

Form 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

Fair Market Valuation (FMV) Statement

- IRA custodians and trustees are regulated to provide FMVs to IRA holders by January 31 of the following year
- Reports the December 31 balance of an individual's IRA
- Used for RMD calculation
- Amount may come from the IRA holder
 - Custodians may use alternatives besides an appraisal
 - Some values may be difficult to acquire promptly
 - Partnerships
 - LLCs

Required Minimum Distribution (RMD) Statement

- Required for custodians under IRS notice 2002-27
- IRA custodians and trustees must provide RMD statements to IRA holders by January 31 of the year an RMD is due
- Assists in notifying IRA holders that they have an RMD due that year



What is IRS Form 1099-R?

- IRS Form 1099 Series: Reports distributions and other taxable events from retirement plans
- Sent out by IRA custodians and trustees by January 31 of the following year
- Not all reportable distributions are taxable
 - Recharacterizations
 - Direct rollovers
- Does not need to be filed with the tax return unless there's an amount on **Box 4** "Federal Income Tax Withheld"

OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
2023 Form 1099-R		
Total distribution <input type="checkbox"/>		Copy 1 For State, City, or Local Tax Department
4 Federal income tax withheld \$		

March

- **March 15**

- Tax deadline for S-corporations and Partnerships (see IRS Publications 4951 & 541)
- SEP and Individual 401(k) Plan establishment and contribution deadline for S-corps and partnerships (see IRS Publication 560)

- **March 31**

- Deadline for Traditional IRA, SEP, SIMPLE and Individual 401(k) Plan participants, who turned 72 in 2022 and delayed the distribution of their first RMD, to take their first RMD

April

- **April 18**

- Individual tax return due date
- Deadline to make an IRA contribution—**does not** include extensions
- Deadline to establish and contribute to SEP or Individual 401(k) Plans for sole proprietors or C-corporations (*see IRS Publication 560*)
- Same deadline to recharacterize a current year contribution, as well as execute a corrective distribution of an ineligible IRA contribution

- **April 28**

- Deadline for IRA custodians and trustees to mail IRS Form 5498-ESA to IRA holders.

May 31

- IRA custodians and trustees must mail IRS Forms 5498 and 5498-SA to IRA holders by May 31
 - While IRS Form 5498-SA covers HSA plans, the 5498 reports IRA contributions, rollovers, Roth IRA conversions, and required minimum distributions (RMDs) to the IRS

☐ CORRECTED (if checked)

TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a) \$	OMB No. 1545-0747 2023 Form 5498	IRA Contribution Information
		2 Rollover contributions \$		
TRUSTEE'S or ISSUER'S TIN		3 Roth IRA conversion amount \$	4 Recharacterized contributions \$	Copy B
PARTICIPANT'S TIN		5 FMV of account \$	6 Life insurance cost included in box 1 \$	
PARTICIPANT'S name		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	8 SEP contributions \$	For Participant
Street address (including apt. no.)		9 SIMPLE contributions \$	10 Roth IRA contributions \$	
City or town, state or province, country, and ZIP or foreign postal code		11 If checked, required minimum distribution for 2024 <input type="checkbox"/>	12a RMD date	This information is being furnished to the IRS.
		12b RMD amount \$	13a Postponed/late contrib. \$	
		13b Year	13c Code	
		14a Repayments \$	14b Code	
Account number (see instructions)		15a FMV of certain specified assets \$	15b Code(s)	

Form 5498 (keep for your records) www.irs.gov/Form5498 Department of the Treasury - Internal Revenue Service

2727 ☐ VOID ☐ CORRECTED

TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Employee or self-employed person's Archer MSA contributions made in 2023 and 2024 for 2023 \$	OMB No. 1545-1518 2023 Form 5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information
		2 Total contributions made in 2023 \$		
TRUSTEE'S TIN	PARTICIPANT'S TIN	3 Total HSA or Archer MSA contributions made in 2024 for 2023 \$		Copy A
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)		6 HSA <input type="checkbox"/>		For Internal Revenue Service Center
City or town, state or province, country, and ZIP or foreign postal code		Archer MSA <input type="checkbox"/>		
Account number (see instructions)		MA MSA <input type="checkbox"/>		File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2023 General Instructions for Certain Information Returns.

Form 5498-SA Cat. No. 38467V www.irs.gov/Form5498SA Department of the Treasury - Internal Revenue Service
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

June 1

- Deadline for IRA holders to remove excess ESA contributions and earnings for 2022
- To remove excess contributions, request a withdrawal by contacting your financial institution



September

- **September 15**

- Deadline for S-corporations and partnerships (that filed for a tax return extension for 2022) to make contributions
- The same deadline applies to employers (that filed for a tax return extension) establishing SEP and Individual 401(k) Plans for tax year 2022
- Deadline for S-corporations and partnerships (that filed for a tax return extension for 2022) to make SIMPLE Plan employer contributions

- **September 29**

- Deadline for existing businesses to establish a new SIMPLE Plan for tax year 2023

October

- **October 16**

- Deadline for C-corporations and sole proprietors (who filed for a tax extension) to establish and contribute to SEP and Individual 401(k) Plans for tax year 2022
- Taxpayers who filed a tax extension, or filed their taxes timely, must remove or recharacterize a 2022 contribution by this date
- Deadline for C-corporations and sole proprietors (who filed for an extension) to make SIMPLE Plan employer contributions for tax year 2022

- **October 31**

- IRA custodians and trustees must send out the document required to satisfy the SIMPLE Plan notice requirements by this date

November

- **November 2**

- 60 days before the following plan year, businesses must provide notices to their employees about the type of contribution they will be making for tax year 2023

- **November 11**

- IRA custodians and trustees must send Fair Market Valuation notifications to all clients by the end of the 2nd week in November to update their asset's FMV (except publicly-traded assets with openly available market prices)

December 30

- Traditional IRA, SEP, SIMPLE and Individual 401(k) Plan participants (who are older than 72) must distribute their RMD by this date
- Separate accounts/inherited IRAs must be established by this date for each beneficiary of IRA holders who died in 2022

New Contribution Limits, Ranges & Cost-of-Living Adjustments

Traditional & Roth IRA Contribution Limits

Contribution Categories	2022	2023
Up to age 50	\$6,000	\$6,500
Catch-up contributions age 50+	\$1,000	\$1,000
Total contribution if over the age 50+	\$7,000	\$7,500

Traditional IRA Modified Adjusted Gross Income Limits

Participant Status	2022	2023
Single individuals	\$68,000 – \$78,000	\$73,000 – \$83,000
Married, filing a joint tax return	\$109,000 – \$129,000	\$116,000 – \$136,000
Married, filing separate tax returns	\$0 – \$10,000	\$0 – \$10,000
Spouse of an active participant	\$204,000 – \$214,000	\$218,000 – \$228,000

Roth IRA Contribution Limits MAGI Phase-Out Ranges

Participant Status	2022	2023
Single individuals	\$129,000 - \$144,000	\$138,000 - \$153,000
Married, filing a joint tax return	\$204,000 - \$214,000	\$218,000 - \$228,000
Married, filing separate tax returns	\$0 - \$10,000	\$0 - \$10,000

Employer-Sponsored Plan Contribution Limits

SIMPLE IRA	2022	2023
Deferrals	\$14,000	\$15,500
Catch-up contributions age 50+	\$3,000	\$3,500
Total contribution if over the age 50+	\$17,000	\$19,000

Employer-Sponsored Plan Contribution Limits

SEP IRA	2022	2023
Less of 25% of compensation or:	\$61,000	\$66,000
Compensation limits	\$650	\$650
Maximum compensation cap	\$305,000	330,000

Employer-Sponsored Plan Contribution Limits

Individual 401(k)	2022	2023
Employer contributions	\$61,000	\$66,000
Employee deferral	\$20,500	\$22,500
Catch-up contributions age 50+	\$6,500	\$7,500

Health Savings Account Contribution Limits

HSA	2022	2023
Single Coverage	\$3,650	\$3,850
Family Coverage	\$7,300	\$7,750
Catch-up contributions age 55+	\$1,000	\$1,000

Education Savings Account Contribution Limits

ESA	2022	2023
Limits per year until child is 18	\$2,000	\$2,000

Tips for the Upcoming Tax Season

Traditional IRA Reporting and Taxation

- Distributions are generally taxable
- Nondeductible contributions (basis) nontaxable
- Proration determined by IRA holder at the end of the year using IRS Form 8606
- IRS Form 1099-R reporting codes 1, 4, & 7



Roth IRA Reporting and Taxation

- Qualified distribution
 - IRS code Q on IRS Form 1099-R
 - Tax-free
- Nonqualified distribution
 - Ordering rules
 - IRA holder files IRS Form 8606 part III
 - IRS codes J or T on IRS Form 1099-R

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119 2023 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. 		1 Gross distribution \$		Copy 1 For State, City, or Local Tax Department	
		2a Taxable amount \$			
		2b Taxable amount not determined <input type="checkbox"/> Total distribution <input type="checkbox"/>			
PAYER'S TIN	RECIPIENT'S TIN	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$		
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		5 Employee contributions/ Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		
		7 Distribution code(s) IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other \$ %		
		9a Your percentage of total distribution %	9b Total employee contributions \$		
10 Amount allocable to IRR within 5 years \$	11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld \$	15 State/Payer's state no.	16 State distribution \$
Account number (see instructions)		13 Date of payment	17 Local tax withheld \$	18 Name of locality	19 Local distribution \$

Form **1099-R** www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

Qualified Distribution

5-Year Period

AND

1 of the **4** qualifying events:

1. Death
2. Disability
3. Turning 59 ½
4. First time home buyer (\$10,000)

IRS distribution code Q on IRS Form 1099-R

Additional Tax Reporting

- IRS Form 990-T Exempt Organization Business Income Tax Return
 - Unrelated Business Income Tax (UBIT)
 - Applies to income that exceeds \$1,000
 - IRA will need to acquire its own EIN
 - May be required for the following types of investments:
 - Partnerships
 - LLCs
 - Must be filed electronically

The image shows the top portion of IRS Form 990-T for the year 2021. The form is titled "Form 990-T Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))". It includes the OMB No. 1545-0047 and the year 2021. The form is for the calendar year 2021 or other tax year beginning in 2021 and ending in 2021. It includes instructions to go to www.irs.gov/Form990T for instructions and the latest information, and to not enter SSN numbers on this form as it may be made public if the organization is a 501(c)(3). The form also includes a checkbox for "Check box if" and a field for "Name of organization (Check box if name changed and see instructions.)". The bottom right corner includes a field for "D Employer identification number".

Additional Tax Reporting

- Leveraged investments under an IRA may also be subject to Unrelated Debt-Financed Income (UDFI) taxes
 - Filed with IRS Form 990-T
 - Leveraged portion of asset income is subject to trust tax rates



Investments Not Subject to UBIT

- **Examples:** (*IRS Publication 598, Tax on Unrelated Business Income*)
 - Corporations
 - Stocks (dividends)
 - Rental property (rents)
 - Rights (royalties)
 - Disposition of property (gains)
- Leveraged investments may be subject to UDFI
 - Such as a single-family property purchased using a nonrecourse loan

Unrelated Debt-Financed Income Tax

- Any property held to produce income (including gains from its disposition), for which there is an acquisition indebtedness at any time during the tax year
- **Example:**
 - Ernie purchased an income property using his IRA to fund 50% of the purchase price, and funding the other 50% from a non-recourse loan lender
 - The monthly income of the property is \$2,000
 - Assuming the payments towards the loan go only towards the interest accrued, 50% of the monthly income will be taxed
 - The income will be taxed at trust tax rates

IRS Form 990-T

Form **990-T** **Exempt Organization Business Income Tax Return**
(and proxy tax under section 6033(e))

OMB No. 1545-0047

For calendar year 2021 or other tax year beginning _____, 2021, and ending _____, 20____

2021

Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/Form990T for instructions and the latest information.

Open to Public Inspection

A ☐ Check box if:

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales			
b	Less returns and allowances			
c Balance ▶		1c		
2	Cost of goods sold (Part III, line 8)	2		
3	Gross profit. Subtract line 2 from line 1c	3		
4a	Capital gain net income (attach Sch D (Form 1041 or Form 1120)) (see instructions)	4a		
b	Net gain (loss) (Form 4797) (attach Form 4797) (see instructions)	4b		
c	Capital loss deduction for trusts	4c		
5	Income (loss) from a partnership or an S corporation (attach statement)	5		
6	Rent income (Part IV)	6		
7	Unrelated debt-financed income (Part V)	7		
8	Interest, annuities, royalties, and rents from a controlled	8		

Let's Summarize

Preparing For Success in 2023

Mark your calendars

Organize your calendars with important dates

Know your limits

Remember your contribution and phase-out limits

Take your time with taxes

Prepare taxes carefully to maximize your earnings

Stay updated on laws

Stay informed because laws are subject to change

What's Next?



Upcoming Webinar – Resort Real Estate Investing With an SDIRA

➡ Register today & join us January 18!



Want to learn something new?

➡ Let us know in the survey as you leave



Need more information on SDIRAs?

➡ Visit our website and Learning Center



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Time for Questions



Stay Connected



John Paul Ruiz



Director of Professional Development



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“

Education is the passport
to the future, for tomorrow
belongs to those who
prepare for it today.

- *Malcolm X*

