

Recharacterizing a Roth Conversion in 5 Easy Steps

What is a Roth IRA recharacterization?

In the simplest of terms, a Roth IRA recharacterization is an “undo.” It erases a Roth IRA conversion, and the conversion is treated as if it never occurred.

- # 1** Meet the deadline. A Roth IRA conversion can be recharacterized until October 15 of the year after the calendar year of conversion. That means that either a January 1, 2017 or a December 31, 2017 conversion can be recharacterized through October 15, 2018. If you miss the October 15 deadline, the only way to get an extension is to go for a private letter ruling from the IRS.
- # 2** Make a trustee-to-trustee transfer back to an IRA. A recharacterization must be made via a trustee-to-trustee transfer. Additionally, regardless of where the funds originally came from, all recharacterizations of a Roth IRA conversion must go to a traditional IRA.
- # 3** Know the difference between the amount recharacterized and the total funds transferred back to an IRA. The recharacterized amount is the total dollar amount (NOT the number of shares) of the initial conversion you wish to undo. But, total funds transferred back must include the earnings (or losses) attributed to the recharacterized amount. Knowing the difference between these two values will help make sure that the recharacterization is properly reported on the tax return.
- # 4** Find out your Roth IRA custodian's policies. Under the Tax Code, you are allowed to recharacterize all or just a portion of a Roth IRA conversion. Your Roth IRA custodian, however, may not be as flexible. This is particularly common with annuities or other contractual investments. In other cases, you may be restricted by account minimums that must be maintained.
- # 5** Get your money back! If you recharacterize after you have filed your tax return(s) for the year of conversion, you will need to file an amended return(s) so the IRS, and your state, know that you are no longer responsible for tax on the conversion. If you've already paid all or a portion of the tax, you'll get those amounts back... plus interest!

America's IRA Experts

100 Merrick Road - Suite 200E - Rockville Centre - New York - 11570

516.536.8282 - www.IRAhelp.com - info@IRAhelp.com - Facebook: AmericasIRAexperts - Twitter: TheSlottReport