

Notice of Internal Recharacterization of IRA Contribution

To: Custodian/Trustee

Name _____
Address _____
City _____ State ____ Zip _____

Date _____
Phone _____

From: Depositor or Grantor

Name _____
Address _____
City _____ State ____ Zip _____

SSN _____
Date of Birth _____
Phone: Home _____
Work _____

The Original Contribution

Account Number: _____
Date of Contribution: _____
Amount: _____

The Recharacterized Contribution

Account Number: _____
Date of Contribution: _____
Amount: _____

Type of Original Contribution (Check only one)

- 1. Conversion/Rollover to Roth IRA from a traditional IRA
- 2. Conversion to Roth IRA from a SEP-IRA or SIMPLE-IRA
- 3. Annual contribution to a Roth IRA for _____ tax yr
- 4. Annual contribution to a traditional IRA for _____ tax yr
- 5. Transfer or rollover to a SIMPLE-IRA from a traditional IRA
- 6. Conversion/Rollover to Roth IRA from an employer sponsored plan (other than a rollover of Designated Roth funds)

Type of Recharacterized Contribution

- 1. Return to the traditional IRA
- 2. Return to the SEP-IRA or SIMPLE-IRA
- 3. Annual contribution to a traditional IRA for the same tax year
- 4. Annual contribution to a Roth IRA for the same tax year
- 5. Return to the traditional IRA
- 6. Return to a traditional IRA

Instruction & Amount to Recharacterize

I elect to recharacterize \$ _____
Which is all or a portion of my original contribution.

It is adjusted by:

- a. Related Earnings (losses) _____
- b. Interest Penalty Fee _____
- c. Administrative Fee _____
- d. Other _____
- e. Recharacterized Net Amount _____

Description of Assets Being Recharacterized

Acknowledgments & Signatures

Depositor or Grantor

I acknowledge that you have instructed me to consult with my legal or tax advisor because of the complexity and importance of this matter. I have read the information on the reverse side of this sheet. This recharacterization is being made on or before the due date (including extensions) for filing my individual federal income tax return for the taxable year for which the contribution was made or other applicable deadline. I expressly assume all responsibility for this recharacterization of IRA funds. I realize that my election to recharacterize my contribution is irrevocable.

Depositor or Grantor: _____

Date: _____

IRA Custodian/Trustee:

We acknowledge receiving your recharacterization instruction. We will report the original contribution on Form 5498. We will report the distribution for recharacterization on Form 1099-R per the current IRS instructions, and we will also report the recharacterization contribution on a Form 5498.

Custodian/Trustee: _____

Date: _____

Special Notice. A person who recharacterizes an IRA contribution needs to follow the pertinent IRS instructions for recharacterizations set forth for Form 8606. In general, you will need to attach an explanation to your tax return. Your IRA custodian/trustee should be furnishing you with a special form(s) to be used to provide this explanation.

Additional Information on IRA Recharacterization

General Discussion

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 custodian/trustee-to-custodian/trustee transfer or it can be done by an internal transfer with the same custodian/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 a 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. 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 after the transfer.

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 the method used to calculate the earnings associated with an excess contribution to a traditional IRA.

A person may convert funds in his or her SEP-IRA or SIMPLE-IRA to a Roth IRA, and a person may recharacterize such a contribution.

You cannot recharacterize employer contributions to a SIMPLE-IRA or a SEP-IRA as contributions to another type of 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 the 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/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 names of the first and second custodian/trustee; and
5. Any additional information needed to make the transfer

Special Discussion

The IRS has authorized a special type of recharacterization in Publication 590. If a person mistakenly attempts to roll over or transfer an amount from a traditional IRA to a SIMPLE-IRA, the person may later recharacterize it and return the funds to a traditional IRA. A person should be aware that the applicable statute or regulation does not authorize this special type of recharacterization.

Reconversions

A “reconversion” arises in the following situation. You convert an amount from a traditional IRA to a Roth IRA; you then recharacterize it from a Roth IRA to a traditional IRA and you then wish to convert it again from a traditional IRA to a Roth IRA. An “excess reconversion” is a reconversion which does not comply with the rules. A conversion contribution is one which has not been previously converted.

A reconversion taking place after December 31, 1999, is permissible only if it occurs after the beginning of the next taxable year (generally this is after December 31 of the year in which the conversion occurred) or, if later, the end of the 30-day period beginning on the day on which the IRA owner transfers the amount from the Roth IRA back to a traditional IRA by means of a recharacterization (regardless of whether the recharacterization occurs the same year as the conversion or the following year). The following examples illustrate the rule.

Example # 1. Joni Dow converted \$40,000 of her \$70,000 traditional IRA on February 3, 2006. On August 10, 2006, she recharacterizes this conversion contribution. She is not eligible to reconvert this amount until January 1, 2007.

Example #2. Elliot Berry converts \$25,000 of his \$33,000 traditional IRA on April 14, 2006. On December 27, 2006, he recharacterizes this conversion contribution. He is not eligible to reconvert until January 26, 2007, since he must wait at least 30 days.

A “failed conversion” is a term which applies for the year 2000 and subsequent years. A “failed conversion” is a reconversion which is made before the above waiting period rules permit. That is, the reconversion occurs before the later of the beginning of the next taxable year after the conversion or the end of the 30-day period that begins on the day of the recharacterization of the conversion. A failed conversion means there has been a distribution from the traditional IRA and there has been a regular contribution to a Roth IRA. Most likely there is an excess contribution that will need to be corrected either by withdrawal or by recharacterization. There are two types of failed conversions—those which will be considered to be a conversion so that they count against the reconversion limit (i.e. the determination of when an IRA owner may make a reconversion) and those which will not count against the reconversion limit. A failed conversion which counts against the reconversion limit occurs when the statutory requirements of less than \$100,000 of income or the filing of a joint income tax return have not been satisfied.