## Hard to Value, Hard to Report? Tips on Reporting for Hard-to-Value IRA Assets

IRAs with assets that do not have readily available fair market values, such as those in investments that are not readily traded on an established securities market, are now subject to additional information reporting. The expanded information reporting requirement for the hard-to-value assets is mandatory for 2015 reporting, after being voluntary for 2014 reports.

The *Instructions for Forms 1099-R and 5498* include the following examples of IRA assets that might not have readily available fair market values, but this is not an all-inclusive list.

- Stock, other ownership interest in a corporation, and short or long-term debt obligations that are not traded on an established securities market
- Ownership interest in a limited liability company, partnership, trust, or similar entity (unless the interest is traded on an established securities market)
- Real estate
- Option contracts or similar products not offered for trade on an established option exchange

The IRS in 2014 revised Form 1099-R, *Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, and Form 5498, *IRA Contribution Information*, to accommodate the expanded reporting for hard-to-value IRA assets. A new distribution code K was added for use in Box 7 on Form 1099-R, and two new boxes were added to Form 5498. The IRS in 2015 revised the specific instructions for Form 1099-R by rewriting the *Guide to Distribution Codes* so that the types of investments reported on Form 1099-R using code K match the investments reported on Form 5498 in Box 15b.

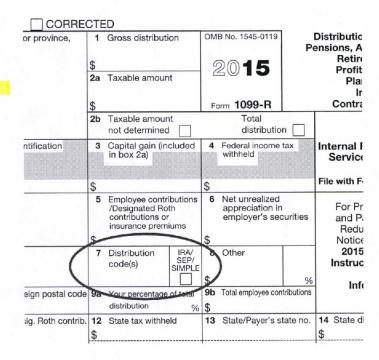
For tax year 2015 reporting, financial organizations that hold IRAs with hard-to-value assets are required to comply with the following expanded information reporting for these assets.

## Form 1099-R

As described in the 2015 Form 1099-R instructions, distributions of IRA assets not having a readily available fair market value (i.e., certain in-kind distributions) must be reported on Form 1099-R, using code K, *Distribution of IRA assets not having a readily available FMV*, in Box 7. Code K also may be used with the following codes, as applicable.

- Code 1, Early distribution, no known exception
- Code 2, Early distribution, exception applies
- · Code 4, Death
- Code 7, Normal distribution
- Code 8, Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2015
- · Code G, Direct rollover and direct payment

Cash distributions and in-kind distributions with *readily* available FMVs from IRAs continue to be reported on Form 1099-R using the applicable distribution code. The categories of IRA assets reported using code K are the same as the categories of IRA assets that are reported in Boxes 15a and 15b on Form 5498.



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## Form 5498

IRA assets that are not readily tradable on an established securities market or option exchange, or that do not have a readily available fair market value must be reported on Form 5498 with the fair market value determined on December 31, 2015. These values are reported in Box 5, Fair market value of account, with the IRA's total value, and also now are reported in Boxes 15a, FMV of certain specified assets, and 15b, Code(s).

Box 15a—Enter the fair market value of hard-to-value assets held in the IRA.

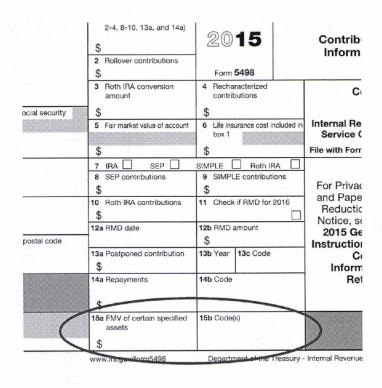
Box 15b—Enter the code for the type(s) of investments held in the IRA for which the fair market value is reported in Box 15a.

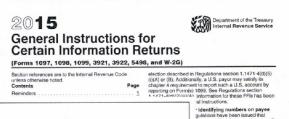
- A—Stock or other ownership interest in a corporation that is not readily tradable on an established securities market.
- B—Short or long-term debt obligation that is not traded on an established securities market.
- C—Ownership interest in a limited liability company or similar entity (unless the interest is traded on an established securities market.)
- D—Real estate.
- E—Ownership interest in a partnership, trust, or similar entity (unless the interest is traded on an established securities market.)
- F—Option contract or similar product that is not offered for trade on an established option exchange.
- G—Other assets that do not have a readily available FMV.
- H—More than two types of assets (listed in A through G) are held in the IRA.

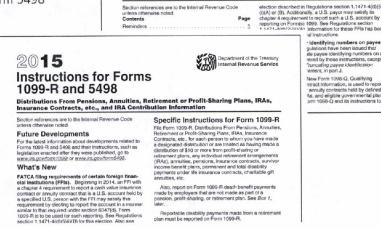
A maximum of two codes can be entered in Box 15b. If more than two codes apply, enter code H.

The expanded information reporting does not apply to IRA assets such as stocks, bonds, and mutual funds that are publicly traded, or to other IRA investments that are readily valued, such as certificates of deposit. The fair market value of these IRA assets continues to be reported in Box 5 on Form 5498 under the existing reporting scheme.

For additional information on reporting of hard-to-value IRA assets, refer to the 2015 *General Instructions for Certain Information Returns* and the 2015 *Instructions for Forms* 1099-R and 5498.







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