

# 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.

☐ CORRECTED

or province,	1 Gross distribution	OMB No. 1545-0119		<b>2015</b>	Form 1099-R	Distributions, A Retiree Profit Plan or Contract
\$	2a Taxable amount					
\$	2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>				
ntification	3 Capital gain (included in box 2a)	4 Federal income tax withheld				Internal Service
\$	\$					File with F
\$	5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities				For Pr and P Redu Notice 2015 Instruc
\$	7 Distribution code(s)	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other		%	Info
sign postal code	9a Your percentage of total distribution %	9b Total employee contributions			\$	
ig. Roth contrib.	12 State tax withheld	13 State/Payer's state no.	14 State di	\$		

(continued)



## 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*.

2-4, 8-10, 13a, and 14a)		<b>2015</b>		<b>Contrib Inform</b>	
\$		Form 5498			
2 Rollover contributions		3 Roth IRA conversion amount		4 Recharacterized contributions	
\$		\$		\$	
5 Fair market value of account		6 Life insurance cost included in box 1		Internal Re Service C	
\$		\$		File with Form	
7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		8 SEP contributions		9 SIMPLE contributions	
\$		\$		\$	
10 Roth IRA contributions		11 Check if RMD for 2016 <input type="checkbox"/>		For Private and Paper Reductive Notice, see 2015 General Instruction C Inform Rel	
12a RMD date		12b RMD amount			
\$		\$			
13a Postponed contribution		13b Year		13c Code	
\$					
14a Repayments		14b Code			
\$					
15a FMV of certain specified assets		15b Code(s)			
\$					

www.irs.gov/form5498

Department of the Treasury - Internal Revenue

**2015**

## General Instructions for Certain Information Returns

(Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)

Section references are to the Internal Revenue Code unless otherwise noted.  
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election described in Regulations section 1.1471-4(d)(5) (i)(A) or (B). Additionally, a U.S. payor may satisfy its chapter 4 requirement to report such a U.S. account by reporting on Form(s) 1099. See Regulations section 1.1471-4(d)(5)(ii)(A) for information for these FFI has been at instructions.

Identifying numbers on payee guidelines have been issued that also payee identifying numbers on all covered by these instructions, except "truncating payee identification" element, in part J.

New Form 1098-Q. Qualifying contract information, is used to report annuity contracts held by defined IRAs, and eligible governmental plans, Form 1098-Q and its instructions for

**2015**

## Instructions for Forms 1099-R and 5498

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and IRA Contribution Information

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Forms 1099-R and 5498 and their instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099](http://www.irs.gov/form1099) or [www.irs.gov/form5498](http://www.irs.gov/form5498).

### What's New

**FATCA filing requirements of certain foreign financial institutions (FFIs).** Beginning in 2014, an FFI with a chapter 4 requirement to report a cash value insurance contract or annuity contract that is a U.S. account held by a specified U.S. person with the FFI may satisfy this requirement by electing to report the account in a manner similar to that required under section 6047(b). Form 1099-R is to be used for such reporting. See Regulations section 1.1471-4(d)(5)(ii)(B) for this election. Also see

### Specific Instructions for Form 1099-R

File Form 1099-R. Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., for each person to whom you have made a designated distribution or are treated as having made a distribution of \$10 or more from profit-sharing or retirement plans, any individual retirement arrangements (IRAs), annuities, pensions, insurance contracts, survivor income benefit plans, permanent and total disability payments under life insurance contracts, charitable gift annuities, etc.

Also, report on Form 1099-R death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan. See Box f, later.

Reportable disability payments made from a retirement plan must be reported on Form 1099-R.