UNDERSTANDING THE SAME PROPERTY RULE

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For IRA-to-IRA or Roth-to-Roth 60-day rollovers, the same property received is the property that must be rolled over. These rules also apply to SIMPLE and SEP IRAs. You cannot receive a distribution of cash and then roll over shares of stock purchased with the cash or shares that you currently own. If cash is distributed from an IRA, then cash must be rolled over within 60 days.

Example 1:

Jody takes a $60,000 distribution from her IRA. She cannot purchase stock with the $60,000 and roll over the stock to her IRA. Because cash was distributed, cash must be deposited as a rollover.

If you take an IRA distribution of property other than cash, the same property must be put back into a retirement account in a timely manner if you want to complete a valid rollover.

Example 2:

Juan takes a distribution of 100 shares of Disney stock from his IRA. He must roll over the same 100 shares of Disney stock within 60 days to complete the transaction regardless of whether the price of Disney shares have gone up, down or remained the same since the initial distribution. (Remember, it's the same-property rule, not the same-value rule.)

Company Plan Exception

There is an exception to the same-property rule for rollovers distributed from a company retirement plan, such as a 401(k). In this case, recipients have a choice: They can either roll over the same property to an IRA or they can sell all or part of the property distributed from the plan and roll over the cash proceeds from the sale. This is true even if the sale proceeds are greater or less than the value of the property when it was initially distributed from the company plan.

You may not keep the property and substitute your own funds for property you received.

Example 3:

Loretta receives a total distribution from her employer's plan consisting of $10,000 cash and $15,000 worth of Apple stock. She decides to keep the Apple stock. She can roll over to a traditional IRA the $10,000 cash received, but she can’t roll over an additional $15,000 representing the value of the property she chooses not to sell.

If you sell the distributed property and roll over all the proceeds into a traditional IRA, no gain or loss is recognized. The sale proceeds (including any increase in value) are treated as part of the distribution and aren’t included in your gross income.