

**MEGA
BACKDOOR
ROTH**

**2022/2023 Solo 401k
Contributions:
Partnership/Multi-
Member LLC/1065/K-1**

**Learn More:
mysolo401k.net**

Partnership

Contribution Rules

Schedule K-1

Self-Directed Solo 401(k)

Schedule K-1 (Form 1065)

Department of the Treasury
Internal Revenue Service

2022

For calendar year 2022, or tax year

beginning / / 2022 ending / /

Partner's Share of Income, Deductions, Credits, etc.

See separate instructions.

Part I Information About the Partnership

☐ Final K-1

☐ Amended K-1

651121

OMB No. 1545-0123

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		


Disclosure

- **This presentation is being provided for educational purposes only and should not be construed as tax, legal or investment advice nor as a solicitation.**
- **When making an investment decision, please consult with your tax attorney and financial professional.**



My Community

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- 
- ✓ **Contribution Limits including Secure Act 2.0 Update**
 - ✓ **Scenarios & Examples**
 - ✓ **Deadline**
 - ✓ **How to Make Contributions**
 - ✓ **How to Report**



Focus of Presentation

- ❖ **Partnerships**
- ❖ **Multi Member LLCs**
- ❖ **1065**
- ❖ **K-1**



Benefits of Mega Backdoor Roth Solo 401k

- Contribute up to \$61,000 (or \$67,500 if age 50 or older) to a Roth Solo 401k for 2022 (\$67,000 or \$73,500 if age 50 or older for 2023)
- Potential for Tax-free growth in the Roth Solo 401k

Find a Mega Backdoor Roth Solo 401k

➤ Qualify:

- Self-employed with no full-time w-2 employees

➤ Solo 401k Provider:

- Offers a plan that allows for voluntary after-tax contributions and in-service distributions (e.g., conversion or rollover)
- Assists with establishing required sub-accounts (Pre-Tax, Roth & Voluntary After-Tax)
- Provides ongoing compliance support (required 1099-R reporting)



Solo 401(k)
Provider

Basic Factors - How Much Can I Contribute?

- **The Solo 401k contribution limits are based on the following factors:**
 - **Your Self-Employment Income**
 - **Your Age**
 - **Whether you participate in another retirement plan (e.g., 401k plan through your “day job”)**
 - **Type of Contribution (Employee vs. Employer; Pre-Tax, Roth or Voluntary After-Tax)**

Partnerships: Self- Employment Income

- ▶ **If your self-employed business is taxed as a partnership, your ability to make Solo 401k contributions is based on your self-employment income reported on Line 14 of your K-1 (after reducing such net income by one-half of the self-employment tax) (i.e. your “self-employment income”)**
 - ❖ **Don’t consider w-2 wages from other sources (e.g., day job)**
 - ❖ **Don’t consider investment income**

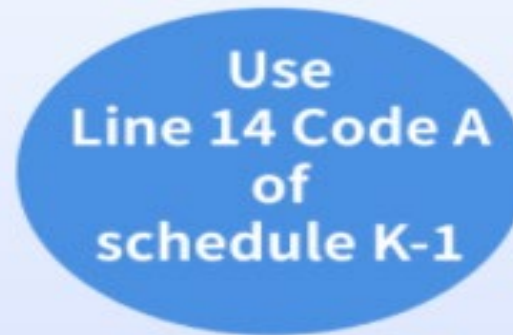
Step 1 - Calculate Self-Employment Compensation



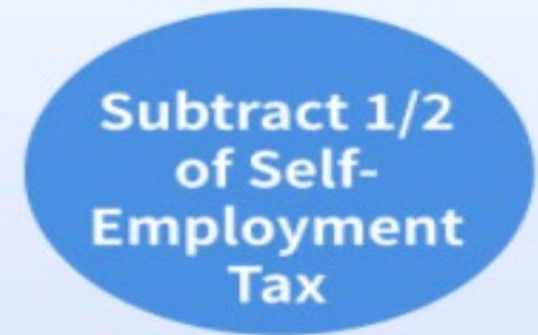
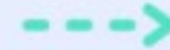
First Determine Earned Income



Not based on
passive income



This is the net
profit line



The solo 401(k)
calculator does
this for you

2021 & 2022 Contribution Limits



Second Determine Contribution Year & Amount

2022

Tax Year

Annual Contribution Limit

Age 50 or Older Catch-up

2022

\$61,000

\$6,500

2023

Tax Year

Annual Contribution Limit

Age 50 or Older Catch-up

2023

\$66,000

\$7,500

Contribution Types

▶ Third Determine Contribution Type

Employee Contribution



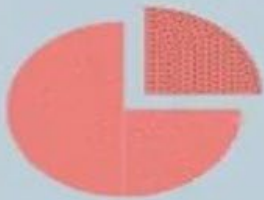
- Can be applied as a pretax, Roth, voluntary after-tax or in combination.
- Roth and pretax contributions are impacted by day-time job 401(k) plan contributions.
- Voluntary After-Tax contributions **NOT** impacted by day-time job 401k plan contributions.

Employer Contribution



- Can be applied as a pretax contribution.
- Can be applied as a Roth contribution per SECURE 2.0 Act.
- Not affected by contributions to a day-time job 401(k) plan.

Roth Contribution



- May be applied as employee contributions.
- Includes the catch-up amount for those age 50 or older.
- Now also falls under Employer Profit Sharing Contribution (nonelective) per SECURE 2.0 Act.

Voluntary After-Tax



- Part of the employee contribution and overall limit category.
- Does not include the catch-up amount for those age 50 or older.
- Not impacted by day job 401k.

Pre-Tax (Employee) – How much can I contribute?

➤ Employee Contribution (Salary Deferrals)

- ❖ The limit is 100% of your self-employment compensation NOT TO EXCEED/UP TO \$20,500 for 2022 (plus an additional \$6,500 if you are 50 or older)
 - ▶ Need to reduce by any contributions made to another employer plan UNLESS the other plan is a 458 governmental plan in which contributions are not aggregated
 - ▶ For 2023, the elective deferral increased to \$22,500, or \$30,000 if age 50 or older.

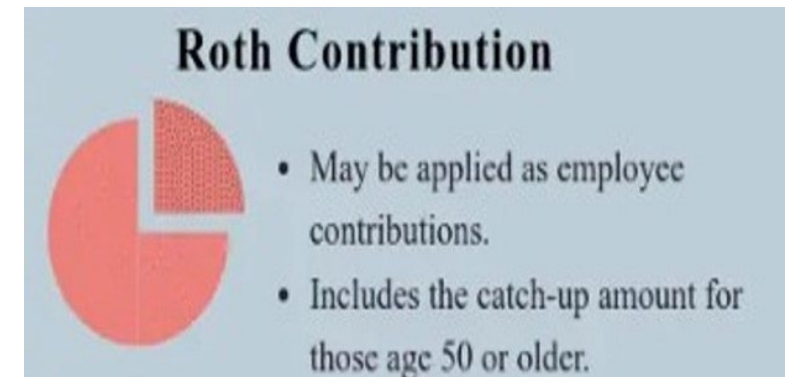
Employee Contribution



- Can be applied as a pretax, Roth or voluntary after-tax.

Roth – How much can I contribute?


- **Employee Contribution (Salary Deferrals)**
 - ▶ 100% of the Employee contributions (subject to the limits – see prior slide) can be made as Roth Contribution
 - ▶ Roth contributions must be deposited in a separate sub-account for each participant



Partnerships: Pre-Tax (Employer) – How much can I contribute?

➤ Employer Contribution (Profit-Sharing)

- ❖ The limit is equal to **20% of your self-employment compensation** (*for partnerships, multi-member LLC taxed as a partnership and report on 1065/K-1*).
 - ▶ The aggregate contributions can't exceed the overall limit of \$61,000 or \$67,500 if you are 50 or older for 2022 (For 2023, the contribution limit increased to \$66,000 or \$73,500 if age 50 or over).
 - ▶ Not impacted by contributions made to another retirement plan through an unrelated employer (e.g., “day job” 401k plan) UNLESS such contributions were made to a 403b plan



Employer Contribution

- Can be applied as a pretax contribution.
- Can be applied as a Roth contribution per SECURE 2.0 Act.
- Not affected by contributions to a day-time job 401(k) plan.

Secure Act 2.0: New Roth Employer (Nonelective) Contributions

- **Effective immediately, Secure Act 2.0 allows Employer Contributions to be made as Roth contributions.**
- **For a Solo 401k plan that allows for Mega Backdoor Roth contributions, this change offers no substantive advantage:**
 - ❖ Voluntary After-tax Solo 401k Contributions can be made at higher percentage of self-employment income (100%) compared to Employer (Nonelective) Contributions made as Roth Solo 401k contributions (20% of self-employment compensation for self-employed business taxed as partnership).
 - ❖ The deadline to establish a Solo 401k plan in order to make both Employer (Nonelective) and Voluntary After-Tax Contributions is the same: the plan must simply be established in time to make contributions by the business tax return deadline including any timely filed extension.
 - ❖ Voluntary after-tax contributions may be transferred to a Roth IRA whereas Employer Contributions may not be transferred out of the Solo 401k to a Roth IRA until a “triggering event” has been met (e.g. the attainment of age 59 ½).

Secure Act 2.0: New Roth Employer (Nonelective) Contributions FAQs

QUESTION: Do I need to deposit Employer Solo 401k contributions made as Roth Solo 401k contributions in a separate account?

ANSWER: No. Both Employee and Employer contributions made as Roth Solo 401k contributions may be deposited into the same bank or brokerage for Roth Solo 401k funds.

QUESTION: What is the contribution limit for Employer Solo 401k contributions made as Roth Solo 401k contributions?

ANSWER: The contribution limit is the same for both Pre-tax and Roth Employer Solo 401k contributions: i.e. 20% of the self-employment compensation subject to the overall limit.

QUESTION: How do I report Employer Solo 401k contributions made as Roth Solo 401k contributions on my personal or business tax return?

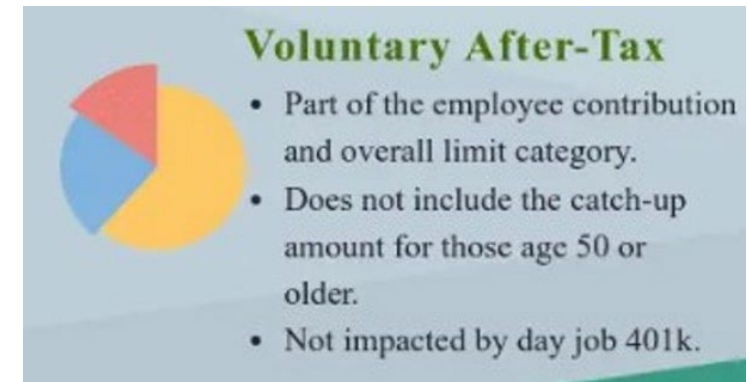
ANSWER: While there is no specific IRS guidance yet on how to report Roth Employer (Nonelective) Solo 401k contributions, it would not be prudent to report such contributions as deductible expenses since such contributions are made on a Roth (post-tax) basis.

Voluntary After-Tax – How much can I contribute?

► Voluntary After-Tax Contributions (Mega Backdoor Roth)

- ❖ The lesser of (i) self-employment compensation & (ii) the overall limit (\$61k for 2022 & \$66k for 2023) REDUCED by any Employer or Employee contributions made to the Solo 401k [IGNORE any catch-up contributions made to the Solo 401k].

- Note the limit does not go up if you are 50 or older
- Not impacted by any contributions made to another retirement plan through an unrelated employer (e.g., “day job” 401k plan) UNLESS the other plan is 403b
- Voluntary after-tax contributions must be deposited in a separate sub-account for each participant



Contribution Scenarios

➤ “Base Scenario” Assumptions

- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ One Participant
- ❖ Under 50 years of Age
- ❖ Does not make contributions to another plan
- ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)
- ❖ ***Note: Assume all Employer Contributions made as Pre-tax because making Employer Contributions as Roth contributions offers no substantive advantage over Mega Backdoor Roth Solo 401k Contributions.***



Contribution Scenarios

➤ “Base Scenario” Contribution Limits

- ❖ Employee (**Pre-tax** or Roth):): **\$20,500 for 2022** (**\$22,500 for 2023**) [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023]
- ❖ Employer Pre-tax Contributions: **\$20,000** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$20,500 for 2022; \$23,500 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

➤ ***Change “Base Scenario” Assumptions to \$50k***

- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ One Participant
- ❖ Under 50 years of Age
- ❖ Does not make contributions to another plan
- ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$50,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)



Contribution Scenarios

➤ How do Contribution Limits Change?



- ❖ Employee (Pre-tax or Roth):): **\$20,500 for 2022** (**\$22,500 for 2023**) [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023]
- ❖ Employer Pre-tax Contributions: **\$10,000** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$19,500 for 2022; \$17,500 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]

Contribution Scenarios

➤ ***Change “Base Scenario” Assumptions to Maximize Contributions “Day Job” Plan***



- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ One Participant
- ❖ Under 50 years of Age
- ❖ Contributes \$20,500 for 2022 (\$22,500 for 2023) to “Day Job” Plan
- ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)

Contribution Scenarios

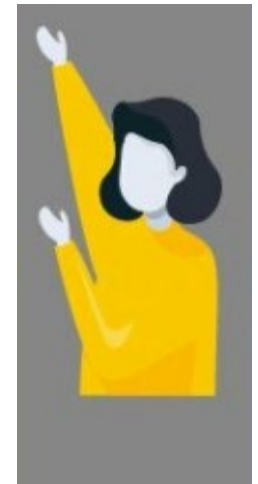
➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): **\$0** [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023 **reduced by any contributions made to another retirement plan unless 458 governmental plan**]
- ❖ Employer Pre-tax Contributions: **\$20,000** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$41,000 for 2022; \$46,000 for 2023;** [Lesser of Self-employment compensation or the overall limit of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

- ***Change “Base Scenario” Assumptions to Goal is Maximize Roth Solo 401k Contributions***
 - ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
 - ❖ One Participant
 - ❖ Under 50 years of Age
 - ❖ Does not make contributions to another plan
 - ❖ Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions
 - ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)



Contribution Scenarios

➤ How do Contribution Limits Change?

- ❖ Employee (**Roth**): **\$20,500 for 2022** (**\$22,500 for 2023**) [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023]
- ❖ Employer Pre-tax Contributions: **\$0** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$40,500 for 2022; \$43,500 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

➤ ***Change “Base Scenario” Assumptions to Two (2) Participants***

- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ Two (2) Participants (e.g., spouses or business partners)
- ❖ Under 50 years of Age
- ❖ Does not make contributions to another plan
- ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax) for each person



Contribution Scenarios

➤ How do Contribution Limits Change? [Limits for each person]

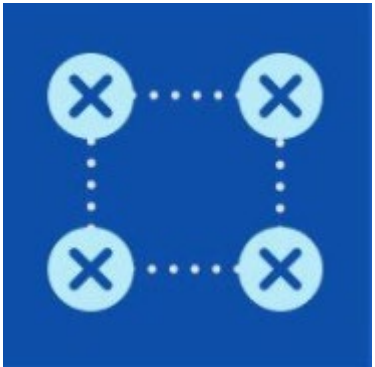
- ❖ Employee (**Pre-tax** or Roth):): **\$20,500 for 2022** (**\$22,500 for 2023**)
[100% of self-employment compensation up to \$20,500 for 2022;
\$22,500 for 2023]
- ❖ Employer Pre-tax Contributions: **\$20,000** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$20,500 for 2022; \$23,500 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

➤ ***Change “Base Scenario” Assumptions to Age 50 or older***

- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ One Participant
- ❖ 50 or older years of Age
- ❖ Does not make contributions to another plan
- ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)



Contribution Scenarios

➤ How do Contribution Limits Change?

- ❖ Employee (**Pre-tax** or Roth):): **\$20,500 for 2022** (**\$22,500 for 2023**) [100% of self-employment compensation up to \$20,500] **plus \$6,500 Catch-Up Contribution** for 2022; \$22,500 **plus \$7,500 Catch-Up Contribution** for 2023]
- ❖ Employer Pre-tax Contributions: **\$20,000** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$20,500 for 2022; \$23,500 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

➤ ***Change “Base Scenario” Assumptions to (i) Maximize Contributions “Day Job” Plan and (ii) Maximize Roth Solo 401k***



- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ One Participant
- ❖ Under 50 years of Age
- ❖ Contributes \$20,500 for 2022 (\$22,500 for 2023) to “Day Job” Plan
- ❖ Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)

Contribution Scenarios

➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): **\$0** [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023 **reduced by any contributions made to another retirement plan unless 458 governmental plan**]
- ❖ Employer Pre-tax Contributions: **\$0** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$61,000 for 2022; \$66,000 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

➤ ***Change “Base Scenario” Assumptions to (i) Age 50 or older; (ii) Maximize Contributions “Day Job” Plan and (iii) Maximize Roth Solo 401k***

- ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
- ❖ One Participant
- ❖ 50 or older years of Age
- ❖ Contributes **\$27,000 for 2022 (\$30,000 for 2023)** to “Day Job” Plan
- ❖ Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax)



Contribution Scenarios

➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): **\$0** [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023 **reduced by any contributions made to another retirement plan unless 458 governmental plan**]
- ❖ Employer Pre-tax Contributions: **\$0** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$61,000 for 2022; \$66,000 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Contribution Scenarios

- ***Change “Base Scenario” Assumptions to (i) Two (2) Participants; (ii) Maximize Contributions “Day Job” Plan and (iii) Maximize Roth Solo 401k***
 - ❖ Self-employed business taxed as partnership/multi-member LLC taxed as a partnership
 - ❖ Two (2) Participants (e.g. spouses or business partners)
 - ❖ Under 50 years of Age
 - ❖ **Each person** contributes \$20,500 for 2022 (\$22,500 for 2023) to “Day Job” Plan
 - ❖ Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions
 - ❖ \$100,000 of self-employment compensation (i.e. Line 14 of K-1 less one-half of self-employment tax) **for each person**



Contribution Scenarios

➤ **How do Contribution Limits Change? [Limits for each person]**

- ❖ Employee (Pre-tax or Roth): **\$0** [100% of self-employment compensation up to \$20,500 for 2022; \$22,500 for 2023 **reduced by any contributions made to another retirement plan unless 458 governmental plan]**
- ❖ Employer Pre-tax Contributions: **\$0** [20% of self-employment compensation provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$61,000 for 2022; \$66,000 for 2023;** [Lesser of Self-employment compensation or the overall limit of of \$61,000 for 2022 (\$66,000 for 2023) reduced by any employee or employer contributions made to the Solo 401k]



Make Contributions

▶ Fourth Make Contribution

CONTRIBUTION STEPS



Check or Electronic



Deposit



Report the Contributions

How do I make contributions?

- To make the contribution, you will make the check payable in the name of the solo 401k and write "Annual Contribution" on the memo section of the check.
- Electronic Transfer is also acceptable.
 - ❖ Check with the financial institution that holds the accounts.
 - ❖ **Note:** Other than Fidelity most brokerage firms don't allow electronic deposit.
- Each participant deposits his/her contributions into separate sub-accounts
- Pre-tax, Roth and after-tax funds must go into separate sub-accounts.
- May transfer funds in one lump sum or series of contributions
- May transfer funds from personal or business account

When is the deadline to make contributions?

- The deadline to make **ALL** types of contributions is the business tax return deadline (for partnership/multi-member LLC taxed as a partnership, etc.: 3/15 or 9/15 if a timely tax return extension is filed.)
- This is clear based on IRS publication 560 which is the IRS publication that deals with retirement plans for Solo 401k plans (see excerpt below of chart on page 3 of IRS Pub 560):

Type of Plan	Last Date for Contribution	Maximum Contribution	Maximum Deduction	When To Set Up Plan
SEP	Due date of employer's return (including extensions).	Smaller of \$55,000 or 25% ¹ of participant's compensation. ²	25% ¹ of all participants' compensation. ²	Any time up to the due date of employer's return (including extensions).
SIMPLE IRA and SIMPLE 401(k)	Salary reduction contributions: 30 days after the end of the month for which the contributions are to be made. ⁴ Matching or nonelective contributions: Due date of employer's return (including extensions).	Employee contribution: Salary reduction contribution up to \$12,500, \$15,500 if age 50 or over. Employer contribution: Either dollar-for-dollar matching contributions, up to 3% of employee's compensation, ³ or fixed nonelective contributions of 2% of compensation. ²	Same as maximum contribution.	Any time between January 1 and October 1 of the calendar year. For a new employer coming into existence after October 1, as soon as administratively feasible.
Qualified Plan: Defined Contribution Plan	Elective deferral: Due date of employer's return (including extensions). ⁴ Employer contribution: Money Purchase Pension Plan or Profit-Sharing: Due date of employer's return (including extensions).	Employee contribution: Elective deferral up to \$18,500, \$24,500 if age 50 or over. Employer contribution: Money Purchase Pension Plan: Smaller of \$55,000 or 100% ¹ of participant's compensation. ² Profit-Sharing: Smaller of \$55,000 or 100% ¹ of participant's compensation. ²	25% ¹ of all participants' compensation, ² plus amount of elective deferrals made.	By the end of the tax year.
Qualified Plan: Defined Benefit Plan	Contributions generally must be paid in quarterly installments, due 15 days after the end of each quarter. See Minimum Funding Requirement in chapter 4.	Amount needed to provide an annual benefit no larger than the smaller of \$220,000 or 100% of the participant's average compensation for his or her highest 3 consecutive calendar years.	Based on actuarial assumptions and computations.	By the end of the tax year.

¹ Net earnings from self-employment must take the contribution into account. See *Deduction Limit for Self-Employed Individuals* in chapters 2 and 4.
² Compensation is generally limited to \$275,000 in 2018.
³ Under a SIMPLE 401(k) plan, compensation is generally limited to \$275,000 in 2018.
⁴ Certain plans subject to Department of Labor (DOL) rules may have an earlier due date for salary reduction contributions and elective deferrals, such as 401(k)

2022 Solo 401k Contribution Deadlines

2022 Solo 401k Annual Contribution Deadlines Both Employee & Employer/Profit Sharing

Entity Type	Contribution Deadline	Contribute by Extended Business Tax Return Deadline
Sole Proprietorship	April 17, 2023	October 16, 2023
Partnership	March 15, 2023	September 15, 2023
S-Corporation	March 15, 2023	September 15, 2023
C-Corporation	April 17, 2023	October 16, 2023
LLC taxed as an S-Corporation	March 15, 2023	September 15, 2023
LLC taxed as a Partnership	March 15, 2023	September 15, 2023
LLC taxed as a Sole Proprietorship	April 17, 2023	October 16, 2023

2023 Solo 401k Contribution Deadlines

2023 Solo 401k Annual Contribution Deadlines Both Employee & Employer/Profit Sharing

Entity Type	Contribution Deadline	Contribute by Extended Business Tax Return Deadline
Sole Proprietorship	April 15, 2024	October 15, 2024
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LLC taxed as an S-Corporation	March 15, 2024	September 16, 2024
LLC taxed as a Partnership	March 15, 2024	September 16, 2024
LLC taxed as a Sole Proprietorship	April 15, 2024	October 15, 2024

Partnership, Multi-Member LLC (1065/K-1): How do I report contributions?

- Employee contributions:
 - ▶ Pre-tax: Line 16 of Schedule 1 of the 1040 as well as line 13 of your K-1 (Code R)
 - ▶ Roth: n/a
 - ▶ Voluntary After-Tax Contributions: n/a
- Employer Contributions:
 - ▶ Line 16 of Schedule 1 of the 1040 as well as line 13 of your K-1 (Code R)

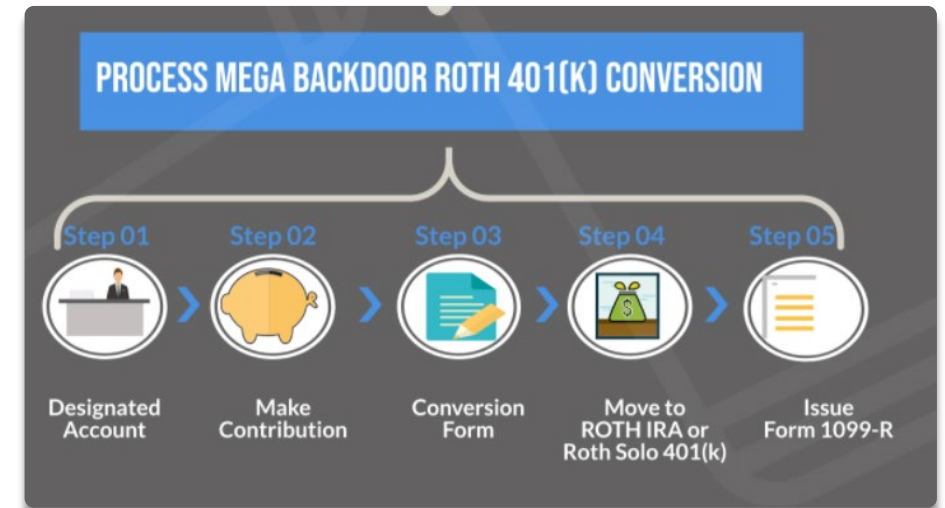


Report the Contributions

- Report pretax contributions on line 16 of Schedule 1-an attachment to Form 1040.
- Roth contributions **DO NOT** get reported on a tax return.
- Voluntary after-tax contribution are indirectly reported on Form 1099-R line 5.

How do I Convert After-Tax to Roth?

- Transfer by check or electronic (ACH/Wire)
 - ❖ Contact the financial institution providing the accounts to determine electronic procedure
- Transfer between bank and brokerage
 - ❖ If transferring to Roth Solo 401k sub-account at a Cryptocurrency exchange transfer from bank (not brokerage account)
- Transfer to Roth Solo 401k or Roth IRA



Steps to Convert After-Tax to Roth - Schwab

➤ **Step 1 - Make Contributions:**

- Open Schwab brokerage Voluntary After-Tax sub-account.
- Make voluntary after-tax contribution.

➤ **Step 2 - Convert to Roth:**

- **Option One:** Convert the solo 401k voluntary after-tax funds to the *Roth Solo 401k* (a.k.a. in-plan conversion).
- **Option Two:** Convert the solo 401k voluntary after-tax funds to a *Roth IRA Roth* (at Schwab or another institution).

➤ **Step 3 - Report the Conversion:** Submit applicable online form & we will prepare the 1099-R:

<https://www.mysolo401k.net/learn/forms/>

- ❖ **Voluntary After-Tax to Roth Solo 401k**
- ❖ **After-Tax Solo 401k to ROTH IRA**



Steps to Convert After-Tax to Roth - Fidelity

➤ **Step 1 - Make Contributions:**

- Open Fidelity brokerage Voluntary After-Tax sub-account.
- Make voluntary after-tax contribution.

➤ **Step 2 - Convert to Roth:**

- **Option One:** Convert the solo 401k voluntary after-tax funds to the *Roth Solo 401k* (a.k.a. in-plan conversion).
- **Option Two:** Convert the solo 401k voluntary after-tax funds to a *Roth IRA Roth* (at Fidelity or another institution).

➤ **Step 3 - Report the Conversion:** Submit applicable online form & we will prepare the 1099-R:

<https://www.mysolo401k.net/learn/forms/>

- ❖ **Voluntary After-Tax to Roth Solo 401k**
- ❖ **After-Tax Solo 401k to ROTH IRA**



Steps to Convert After-Tax to Roth - TD Ameritrade

➤ **Step 1 - Make Contributions:**

- Open TD Ameritrade brokerage Voluntary After-Tax sub-account.
- Make voluntary after-tax contribution.

➤ **Step 2 - Convert to Roth:**

- **Option One:** Convert the solo 401k voluntary after-tax funds to the *Roth Solo 401k* (a.k.a. in-plan conversion).
- **Option Two:** Convert the solo 401k voluntary after-tax funds to a *Roth IRA Roth* (at TD Ameritrade or another institution).

➤ **Step 3 - Report the Conversion:** Submit applicable online form & we will prepare the 1099-R:

<https://www.mysolo401k.net/learn/forms/>

- ❖ **Voluntary After-Tax to Roth Solo 401k**
- ❖ **After-Tax Solo 401k to ROTH IRA**



Should I Convert to a Roth IRA or to a Roth Solo 401(k)?

Roth Type



Roth IRA

- A Roth IRA is not an employer plan so distributions can be made anytime.
- Roth IRAs are NOT subject to required minimum distributions (RMDs).
- Participant Loans are not permitted from IRAs

VS

Roth Solo 401(k)

- A triggering event applies in order to take distributions (e.g., attainment of age 59 1/2, disability, death, termination of employment, etc.)
- Solo 401(k) plans are subject to RMDs.
- Plan participant loans are permitted.

Should I
Convert to Roth
IRA or Roth
Solo 401(k)?

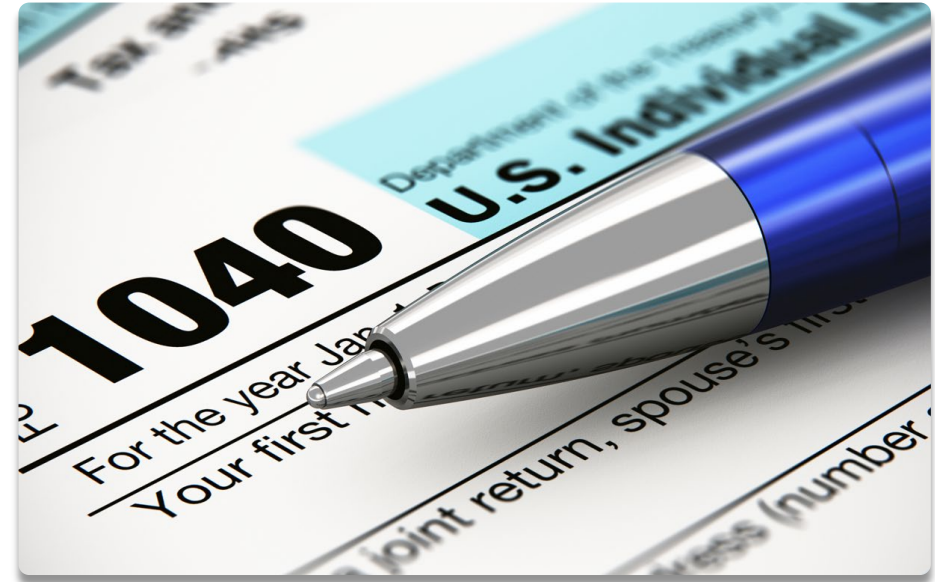
No Deadline to Convert

- No deadline to convert voluntary after-tax funds
- Conversion is reportable for the year of the conversion
 - ❖ For example, make voluntary after-tax contributions for 2022 in 2023 (i.e. by March 15, 2023 or September 15, 2023 if you file a timely extension)
 - ❖ Convert funds in 2023 so the 1099-R will be issued in 2024.



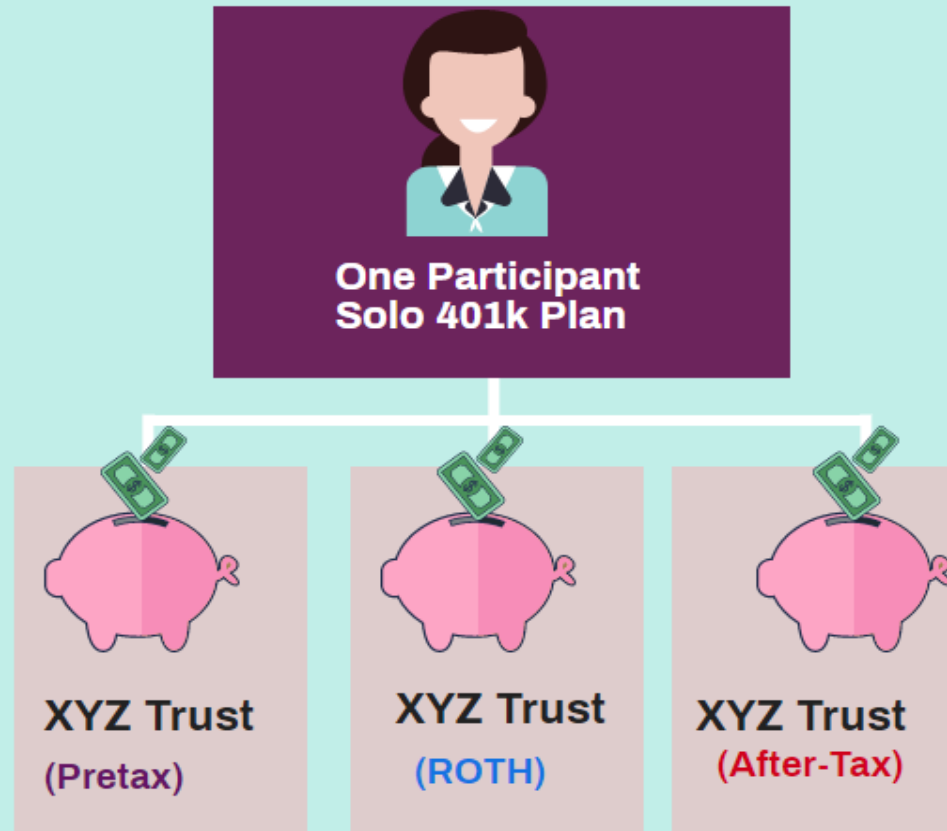
Tax Reporting

- Amount Converted (including contributions and any gains)
 - Form 1099-R for the year of the conversion.
 - Form 1040 (Amount converted on Line 5a and any gains on Line 5b for 2021 Form 1040).
- Submit applicable online form & we will prepare the 1099-R:
<https://www.mysolo401k.net/learn/forms/>
 - ❖ **Voluntary After-Tax to Roth Solo 401k**
 - ❖ **After-Tax Solo 401k to ROTH IRA**



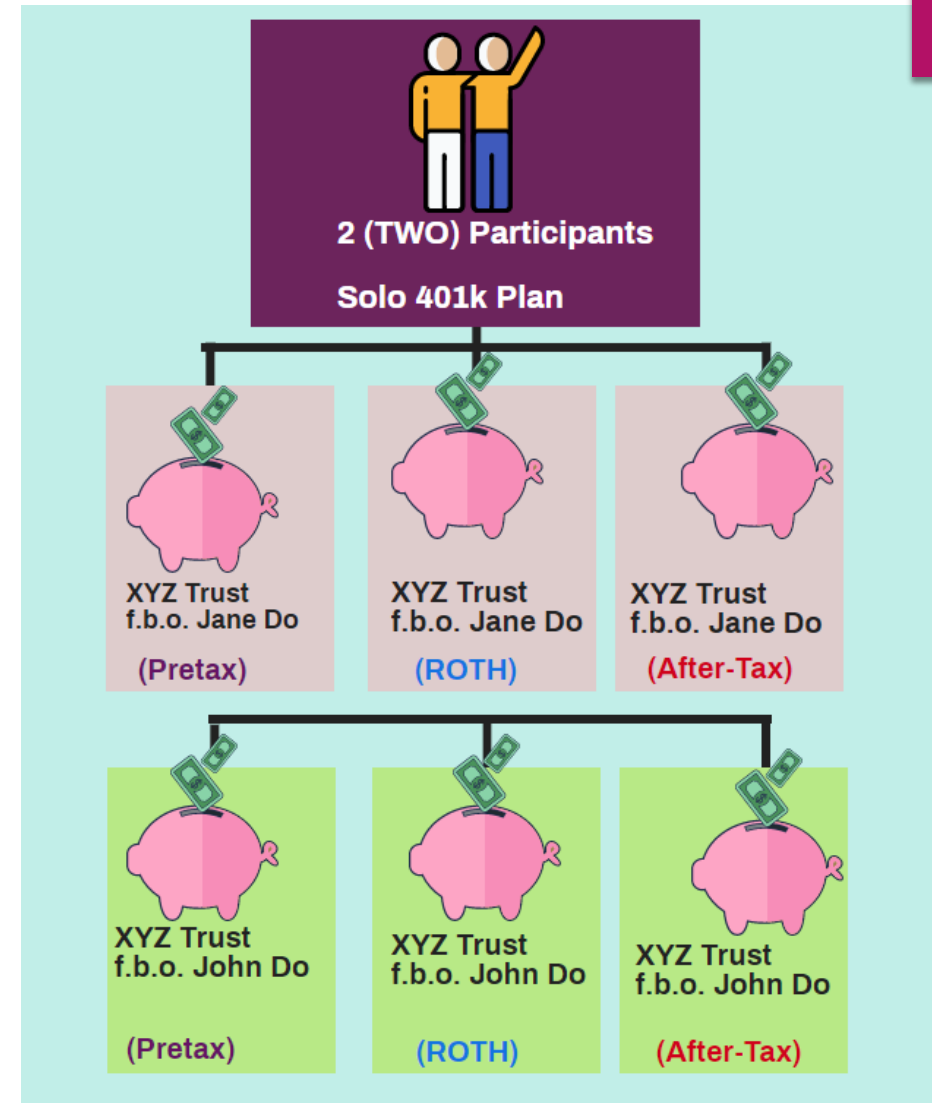
Example of Account Title

One Participant 3 Holding Accounts



Example of Account Title

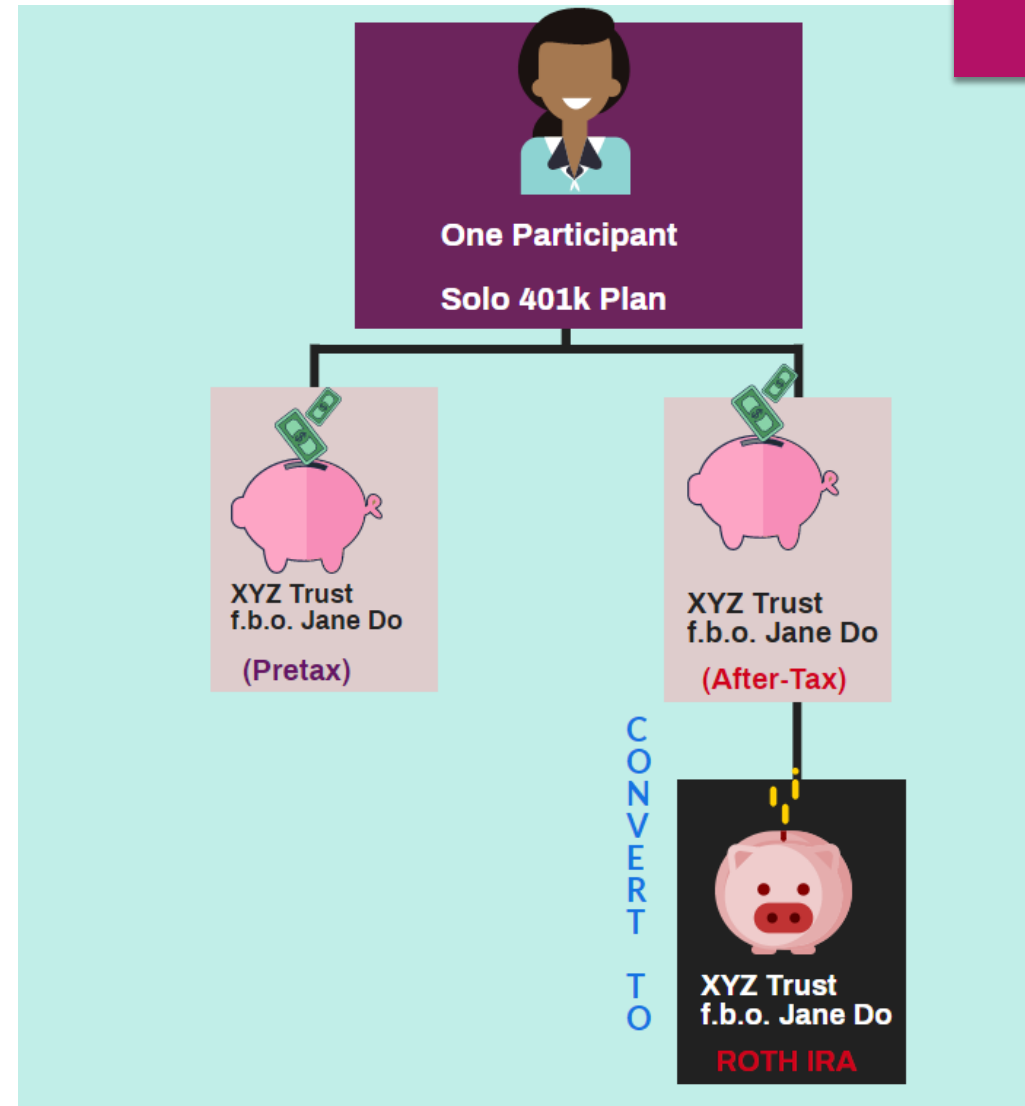
Two Participants 6 Holding Accounts



Example of Account Title

**One Participant 2
holding accounts
(pretax and
Voluntary after-tax)
&**

**Convert voluntary
after-tax to a Roth
IRA**



Solo 401K: Learn More!

- business@mysolo401k.net
- **(800) 489-7571**

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