

[Home](#) > [Blog](#) > Everything You Need To Know About Self-Directed IRA LLC Tax Filing

March 21, 2023

Everything You Need To Know About Self-Directed IRA LLC Tax Filing

Summary and Key Points

- A Self-Directed IRA LLC is a retirement account that allows you to invest in real estate, cryptocurrency, and other alternative assets in real time with no transaction fees.
- Typically, there are no federal filing requirements for a single-member Self-Directed IRA LLC.
- The LLC itself is not required to pay taxes if any are due; the owner(s) of the entity is responsible.
- Broad Financial's IRA LLC provides flexibility, freedom, and liability protection so you can gain total control of your investments.



Self-Directed IRA LLCs (Limited Liability Companies) have become increasingly popular due to their flexibility, limited liability protection, and tax advantages. But along with this increased power and control, comes the responsibility to understand when taxes are due, file the proper IRS forms, and report the fair market value of your account. You may be wondering, "Does a Self-Directed IRA LLC file a tax return?" In this article we will discuss the Self-Directed IRA LLC tax filing responsibilities, what tax forms are required for an IRA LLC, and more so you can be prepared this tax season.

What is a Self-Directed IRA LLC?

A Self-Directed IRA LLC is a powerful retirement account that gives you the opportunity to invest in [real estate](#), [cryptocurrency](#), and other alternative assets in real time. The structure of a Self-Directed IRA LLC offers the limited liability protection of a corporation and the single-level taxation of a partnership.

One of the unique characteristics of an LLC is that it is considered a "pass-through" entity for federal (and typically for state) income tax purposes. This means all taxable gains and losses are passed through to the LLC's owner, which is the Self-Directed IRA. The Self-Directed IRA, not the LLC itself, is responsible for paying any applicable taxes.



CONTACT A SPECIALIST

[CALL NOW](#)

or

CONTACT A SPECIALIST

* First Name

* Last Name

* Email

* Phone

What would you like to invest in? (Optional)

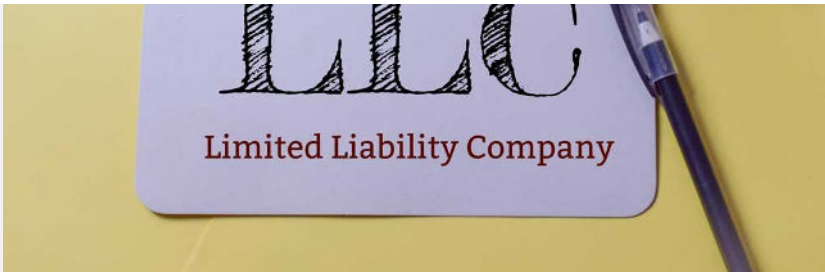
[Start a Conversation](#)

Categories

- Account Maintenance
- Blog
- Checkbook Control
- Checkbook IRA
- Cryptocurrency
- Education and Information Center
- How To
- In the News
- IRA LLC
- IRS Rules and Regulations
- Real Estate Investing
- Self Directed IRA
- Solo 401(k)

Recent Posts





Self-Directed IRA LLC Tax Filing

In general, the LLC does not have to file an annual tax return. This is because the owner of the LLC is the tax-deferred (Traditional IRA) or tax-free (Roth IRA) Self-Directed IRA.

However, certain situations may cause your Self-Directed IRA LLC to be subject to taxes. Please note, a single-member LLC is treated as a sole proprietorship and a multi-member LLC is treated as a partnership for tax purposes. In addition, the multi-member IRA LLC is required to file a tax return even if no taxes are due.

Your Self-Directed IRA LLC may be subject to taxes in the following scenarios:

- **If you earn unrelated business income on your investment.**



UBIT (Unrelated Business Income Tax) is a tax that is due if your IRA invests in an asset that earns active income from the sale of products or services that is not related to the IRA's tax-exempt purpose. For example, certain real estate investments such as construction, development, short-term fix and flips typically incur UBIT. Also, investments that generate income from an active trade or business such as a store that sells goods and services are typically subject to UBIT.

Note: real estate income (without debt leverage), interest income, capital gain income, and dividend income are all exempt from UBIT.

- **If you borrow funds to finance your investment.**

When an IRA receives income from an investment obtained with borrowed funds, known as **UDFI (Unrelated Debt Financed Income)**, then the IRA is subject to taxes on the debt-financed portion of the investment.



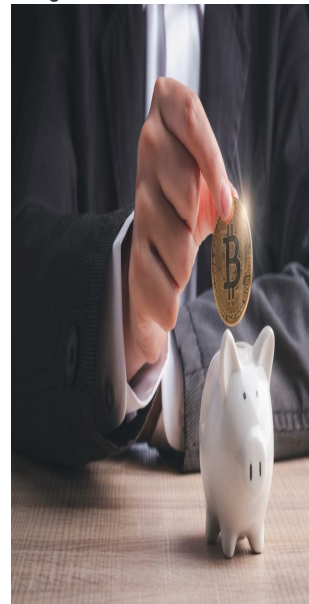
For example, assume a rental property is on the market for \$500,000. A Self-Directed IRA LLC account holder decides to invest \$400,000 in the property and use a non-recourse loan to help finance the additional \$100,000. In this case, 20% of the net income generated from the property



Case Study: How To Invest with a Self-Directed Checkbook IRA Non-Recourse Loan



Everything You Need To Know About Self-Directed IRA LLC Tax Filing



Self-Directed Crypto IRA LLC: How To Invest in Cryptocurrency for Retirement







will be subject to UBIT.

If UBIT and UDFI occur, then [IRS Form 990-T](#) must be filed. All taxes are paid by the Self-Directed IRA, not your personal funds.

Tax Forms Required for Self-Directed IRA LLCs



IRS TAX FORMS REQUIRED FOR SELF-DIRECTED IRA LLCs

IRS Form	What It Reports
 Form 5498	The account's fair market value (FMV). The account holder is responsible for determining each asset's value and the account's total value. This form also reports any IRA contributions, rollovers, Roth conversions, and recharacterizations received in your account during the prior tax year.
 Form 1099-R	Any funds or assets that left your IRA through a distribution, Roth conversion, rollover, recharacterization, etc. If such a transaction does not take place in a given year, the account will not receive a 1099-R for that year.
 Form 990-T	UBIT (Unrelated Business Income Tax) and/or UDFI (Unrelated Debt Financed Income) generated from the Self-Directed IRA LLC investment.
 Form 1065 & Schedule K-1	The overall capital gains and losses from a business partnership (multi-member LLC). If your IRA owns 100% of the LLC, this form does not need to be filed. If you have a multi-member LLC, this form must be completed, and a Schedule K-1 should be issued to each owner.

Although most Self-Directed IRA LLCs do not have tax filing requirements, the IRS requires the completion of a few annual forms:

- **Form 5498** – This informational form reports the account's fair market value (FMV). As the manager of the LLC, you are responsible for figuring out the value of each asset in your LLC and the account's total value and sending it to your custodian to report. This form also reports any IRA contributions, rollovers, Roth conversions, and recharacterizations received in your account during the prior tax year.
- **Form 1099-R** – This form reports any funds or assets that left your IRA through a distribution, Roth conversion, rollover, etc. If such a transaction does not take place in a given year, the account holder will not receive a 1099-R that year.
- **Form 990-T** – This form is used to report UBIT and/or UDFI generated from the Self-Directed IRA LLC investment.
- **Form 1065 and Schedule K-1** –
 - If your IRA owns 100% of the LLC, this form does not need to be filed.
 - If you are investing in a multi-member LLC this form must be filed, and a Schedule K-1 should be issued to each owner (your IRA in this case) for its share of income or loss. The custodian's EIN should be used for your IRA's K-1, not your personal Social Security number or your IRA's tax ID.

Conclusion: Let's Tie It All Up

As a Self-Directed IRA LLC investor, you must be aware of your tax reporting responsibilities.

Although Self-Directed IRA LLCs are typically not responsible for any annual tax filing, ensure you are aware of the scenarios that may cause your LLC to be subject to tax and the annual IRS forms that must be filed.



Do you have more questions regarding Self-Directed IRA LLC tax filing? Book a free discovery call with a [Self-Directed](#)



FTX Collapse: What Happened and How Does It Affect Self-Directed IRA Cryptocurrency Investors

IRA LLC Specialist today to get your questions answered.

[Book a Free Discovery Call Now](#)

Disclaimer: Broad Financial LLC does not provide legal, tax, or investment advice. Please consult with your tax or legal advisor before making investment decisions.

[< Previous](#)

[Next >](#)



SOCIAL MEDIA



CONTACT US

Address:
One Paragon Drive
Suite 270
Montvale, NJ 07645

Phone: (800) 395-5200

Mondays – Thursdays: 8:00 am – 6:00 pm EST
Fridays – 10:00 am – 4:00 pm EST

JOIN OUR NEWSLETTER!

Get the latest news and insights on Self-Directed IRAs and Solo 401(k)s right to your inbox.

[Subscribe](#)

[Self-Directed Checkbook IRA](#)

[Self-Directed IRA LLC](#)

[Self-Directed IRA Trust](#)

[Checkbook Solo 401\(k\)](#)

[Self-Directed IRA Fees](#)

[The Broad Advantage](#)

[Executive Leadership](#)

[Reviews](#)

[Video Testimonials](#)

[Referral Program](#)

[Free Webinars](#)

[Broad Financial's Videos](#)

[FAQs](#)

[Education Center](#)

[Blog](#)

[Uploads Portal](#)

[Apply Now](#)

[Contact Us](#)

[Privacy Policy](#)

[Disclaimer](#)