

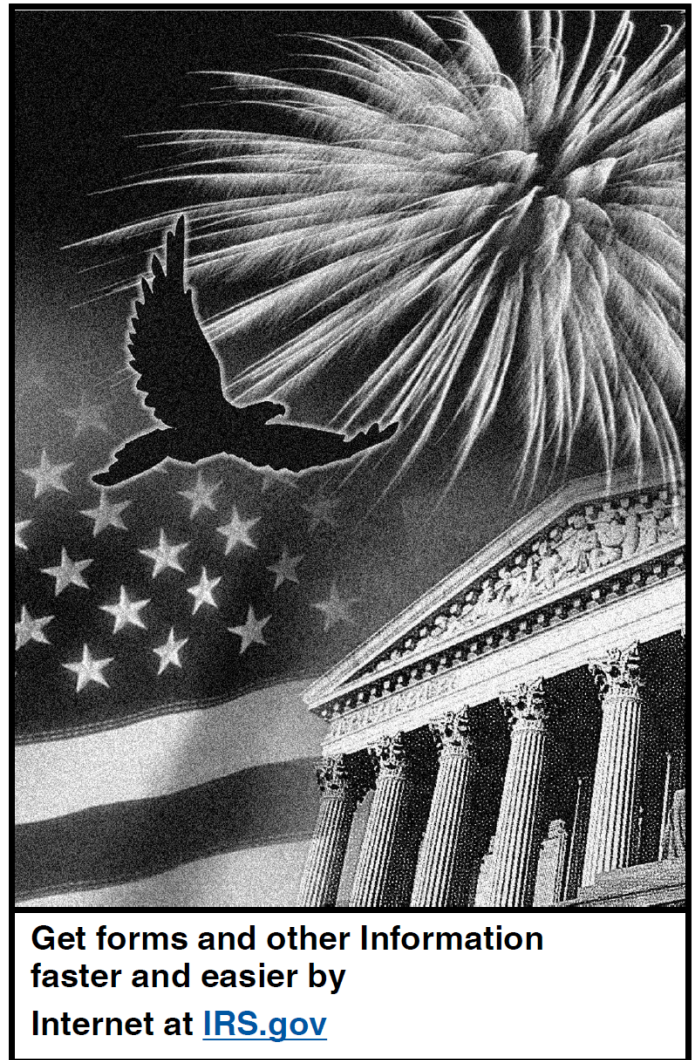
Publication 590

Individual Retirement Arrangements (IRAs)

For Use in Preparing

2013 Returns

Volume 3 of 5



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Reduce the life expectancy by one for each year after the year of death. (**Note.** Also figure the required minimum distribution for an individual beneficiary using this method if it results in a longer life expectancy where the owner died on or after the required beginning date.)

Death before required beginning date.

The 5-year rule (discussed earlier) applies. The entire account must be distributed by the end of the fifth year following the year of the owner's death. No distribution is required for any year before that fifth year.

Note. The required beginning date was defined earlier under Distributions by the required beginning date.

Example. The owner died in 2013 at the age of 80. The owner's traditional IRA went to his estate. The account balance at the end of 2013 was \$100,000. In 2014, the required minimum distribution would be \$10,870 ($\$100,000 \div 9.2$). (The owner's life expectancy in the year of death, 10.2, reduced by one.) If the owner had died in 2013 at the age of 70, the entire account

would have to be distributed by the end of 2018. See Death before required beginning date under *Beneficiary not an individual* above.

Which Table Do You Use To Determine Your Required Minimum Distribution?

There are three different life expectancy tables. The tables are found in Appendix C of this publication. You use only one of them to determine your required minimum distribution for each traditional IRA. Determine which one to use as follows.

Reminder. In using the tables for lifetime distributions, marital status is determined as of January 1 each year. Divorce or death after January 1 is generally disregarded until the next year. However, if you divorce and change the beneficiary designation in the same year, your former spouse cannot be considered your sole beneficiary for that year.

Table I (Single Life Expectancy). Use Table I for years after the year of the owner's death if either of the following applies.

- You are an individual and a designated beneficiary, but not the owner's surviving spouse and sole designated beneficiary.
- The beneficiary is not an individual and the owner died on or after the required beginning date, defined earlier.

Surviving spouse. If you are the owner's surviving spouse and sole designated beneficiary, you will also use Table I for your required minimum distributions. However, if the owner had not reached age 70½ when he or she died, and you do not elect to be treated as the owner of the IRA, you do not have to take distributions until the year in which the owner would have reached age 70½.

Table II (Joint Life and Last Survivor Expectancy). Use Table II if you are the IRA owner and your spouse is both your sole designated beneficiary and more than 10 years younger than you.

Note. Use this table in the year of the owner's death if the owner died after the required beginning date and this is the table

that would have been used had he or she not died.

Table III (Uniform Lifetime). Use Table III if you are the IRA owner and your spouse is not both the sole designated beneficiary of your IRA and more than 10 years younger than you.

Note. Use this table in the year of the owner's death if the owner died after the required beginning date and this is the table that would have been used had he or she not died.

No table. Do not use any of the tables if the 5-year rule (discussed earlier) applies.

What Age(s) Do You Use With the Table(s)?

The age or ages to use with each table are explained below.

Table I (Single Life Expectancy). If you are a designated beneficiary figuring your first distribution, use your age as of your birthday in the year distributions must begin. This is usually the calendar year immediately

following the calendar year of the owner's death. After the first distribution year, reduce your life expectancy by one for each subsequent year. If you are the owner's surviving spouse and the sole designated beneficiary, this is generally the year in which the owner would have reached age 70½. After the first distribution year, use your age as of your birthday in each subsequent year.

Example 1. You are the owner's designated beneficiary figuring your first required minimum distribution. Distributions must begin in 2014. You become 57 years old in 2014. You use Table I. Your distribution period for 2015 is 26.9 (27.9 – 1) years. Your distribution period for 2016 is 25.9 (27.9 – 2). Note that the life expectancy was reduced by one for each year after the first distribution year, which was 2014.

Example 2. You are the owner's surviving spouse and the sole designated beneficiary. The owner would have turned age 70½ in 2014. Distributions begin in 2014. You become 69 years old in 2014. You use Table 1. Your distribution period for 2014 is 17.8.

For 2015, when you are 70 years old, your distribution period is 17.0. For 2016, when you are 71 years old, your distribution period is 16.3.

Owner's life expectancy. In two cases where the owner dies on or after the required beginning date, you need to use the owner's life expectancy. First, you need to use it when the owner dies on or after the required beginning date and there is no designated beneficiary as of September 30 of the year following the year of the owner's death. In this case, use the owner's life expectancy for his or her age as of the owner's birthday in the year of death and reduce it by one for each subsequent year. Second, use the owner's life expectancy in the year of death (reduced by one for each subsequent year) if it results in a longer distribution period than using your life expectancy as detailed in Table I (Single Life Expectancy) above.

Table II (Joint Life and Last Survivor Expectancy). For your first distribution by the required beginning date, use your age and the age of your designated beneficiary as

of your birthdays in the year you become age 70½. Your combined life expectancy is at the intersection of your ages.

If you are figuring your required minimum distribution for 2014, use your ages as of your birthdays in 2014. For each subsequent year, use your and your spouse's ages as of your birthdays in the subsequent year.

Table III (Uniform Lifetime). For your first distribution by your required beginning date, use your age as of your birthday in the year you become age 70½.

If you are figuring your required minimum distribution for 2014, use your age as of your birthday in 2014. For each subsequent year, use your age as of your birthday in the subsequent year.

Miscellaneous Rules for Required Minimum Distributions

The following rules may apply to you.

Installments allowed. The yearly required minimum distribution can be taken in a series of installments (monthly, quarterly, etc.) as

long as the total distributions for the year are at least as much as the minimum required amount.

More than one IRA. If you have more than one traditional IRA, you must determine a separate required mini-mum distribution for each IRA. However, you can total these minimum amounts and take the total from any one or more of the IRAs.

Example. Sara, born August 1, 1942, became 70½ on February 1, 2013. She has two traditional IRAs. She must begin receiving her IRA distributions by April 1, 2014. On December 31, 2012, Sara's account balance from IRA A was \$10,000; her account balance from IRA B was \$20,000. Sara's brother, age 64 as of his birthday in 2013, is the beneficiary of IRA A. Her husband, age 78 as of his birthday in 2013, is the beneficiary of IRA B.

Sara's required minimum distribution from IRA A is \$377 ($\$10,000 \div 26.5$ (the distribution period for age 71 per Table III)). The amount of the required minimum distribution from IRA B is \$755 ($\$20,000 \div$

26.5). The amount that must be withdrawn by Sara from her IRA accounts by April 1, 2014, is \$1,132 ($\$377 + \755).

More than minimum received. If, in any year, you receive more than the required minimum amount for that year, you will not receive credit for the additional amount when determining the minimum required amounts for future years. This does not mean that you do not reduce your IRA account balance. It means that if you receive more than your required minimum distribution in one year, you cannot treat the excess (the amount that is more than the required minimum distribution) as part of your required minimum distribution for any later year. However, any amount distributed in your 70½ year will be credited toward the amount that must be distributed by April 1 of the following year.

Example. Justin became 70½ on December 15, 2013. Justin's IRA account balance on December 31, 2012, was \$38,400. He figured his required minimum distribution for 2013 was \$1,401 ($\$38,400 \div 27.4$ (the distribution

period for age 70 per Table III)). By December 31, 2013, he had actually received distributions totaling \$3,600, \$2,199 more than was required. Justin cannot use that \$2,199 to reduce the amount he is required to withdraw for 2014, but his IRA account balance is reduced by the full \$3,600 to figure his required minimum distribution for 2014. Justin's reduced IRA account balance on December 31, 2013, was \$34,800. Justin figured his required minimum distribution for 2014 is \$1,313 ($\$34,800 \div 26.5$ (the distribution period for age 71 per Table III)). During 2014, he must receive distributions of at least that amount.

Multiple individual beneficiaries. If as of September 30 of the year following the year in which the owner dies there is more than one beneficiary, the beneficiary with the shortest life expectancy will be the designated beneficiary if both of the following apply.

- All of the beneficiaries are individuals, and
- The account or benefit has not been divided into separate accounts or shares for each beneficiary.

Separate accounts. A single IRA can be split into separate accounts or shares for each beneficiary. These separate accounts or shares can be established at any time, either before or after the owner's required beginning date. Generally, these separate accounts or shares are combined for purposes of determining the minimum required distribution. However, these separate accounts or shares will not be combined for required minimum distribution purposes after the death of the IRA owner if the separate accounts or shares are established by the end of the year following the year of the IRA owner's death.

The separate account rules cannot be used by beneficiaries of a trust.

Trust as beneficiary. A trust cannot be a designated beneficiary even if it is a named beneficiary. However, the beneficiaries of a trust will be treated as having been designated beneficiaries for purposes of determining required minimum distributions after the owner's death (or after the death of the owner's surviving spouse described in

Death of surviving spouse prior to date distributions begin, earlier) if all of the following are true:

1. The trust is a valid trust under state law, or would be but for the fact that there is no corpus.
2. The trust is irrevocable or became, by its terms, irrevocable upon the owner's death.
3. The beneficiaries of the trust who are beneficiaries with respect to the trust's interest in the owner's benefit are identifiable from the trust instrument.
4. The trustee of the trust provides the IRA custodian or trustee with the documentation required by that custodian or trustee. The trustee of the trust should contact the IRA custodian or trustee for details on the documentation required for a specific plan.

The deadline for the trustee to provide the beneficiary documentation to the IRA

custodian or trustee is October 31 of the year following the year of the owner's death.

Trust beneficiary is another trust. If the beneficiary of the trust (which is the beneficiary of the IRA) is another trust and both trusts meet the above requirements, the beneficiaries of the other trust will be treated as having been designated as beneficiaries for purposes of determining the distribution period.

Note. The separate account rules, discussed earlier, cannot be used by beneficiaries of a trust.



You may want to contact a tax advisor to comply with this complicated area of the tax law.

Annuity distributions from an insurance company. Special rules apply if you receive distributions from your traditional IRA as an annuity purchased from an insurance company. See Regulations sections 1.401(a)(9)-6 and 54.4974-2. These regulations can be found in many libraries, IRS offices, and online at [IRS.gov](https://www.irs.gov).

Are Distributions Taxable?

In general, distributions from a traditional IRA are taxable in the year you receive them.

Failed financial institutions. Distributions from a traditional IRA are taxable in the year you receive them even if they are made without your consent by a state agency as receiver of an insolvent savings institution. This means you must include such distributions in your gross income unless you roll them over. For an exception to the 1-year waiting period rule for rollovers of certain distributions from failed financial institutions, see *Exception* under *Rollover From One IRA Into Another*, earlier.

Exceptions. Exceptions to distributions from traditional IRAs being taxable in the year you receive them are:

- Rollovers, earlier,
- Qualified charitable distributions, discussed below,
- Tax-free withdrawals of contributions, discussed earlier, and

- The return of nondeductible contributions, discussed later under Distributions Fully or Partly Taxable.



Although a conversion of a traditional IRA is considered a rollover for Roth IRA purposes, it is not an exception to the rule that distributions from a traditional IRA are taxable in the year you receive them. Conversion distributions are includible in your gross income subject to this rule and the special rules for conversions explained earlier and in chapter 2.

Qualified charitable distributions. A qualified charitable distribution (QCD) is generally a nontaxable distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions. You must be at least age 70½ when the distribution was made. Also, you must have the same type of acknowledgment of your contribution that you would need to claim a deduction for a charitable contribution. See *Records To Keep* in Publication 526, Charitable Contributions.

The maximum annual exclusion for QCDs is \$100,000. Any QCD in excess of the \$100,000 exclusion limit is included in income as any other distribution. If you file a joint return, your spouse can also have a QCD and exclude up to \$100,000. The amount of the QCD is limited to the amount of the distribution that would otherwise be included in income. If your IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income.



A QCD will count towards your required minimum distribution, discussed earlier.



You cannot claim a charitable contribution deduction for any QCD not included in your income.

Example. On November 1, 2013, Jeff, age 75, directed the trustee of his IRA to make a distribution of \$25,000 directly to a qualified 501(c)(3) organization (a charitable organization eligible to receive tax-deductible contributions). The total value of Jeff's IRA is \$30,000 and consists \$20,000 of deductible

contributions and earnings and \$10,000 of nondeductible contributions (basis). Since Jeff is at least age 70½ and the distribution is made directly by the trustee to a qualified organization, the part of the distribution that would otherwise be includible in Jeff's income (\$20,000) is a QCD.

In this case, Jeff has made a QCD of \$20,000 (his deductible contributions and earnings). Because Jeff made a distribution of nondeductible contributions from his IRA, he must file Form 8606, Nondeductible IRAs, with his return. Jeff includes the total distribution (\$25,000) on line 15a of Form 1040. He completes Form 8606 to determine the amount to enter on line 15b of Form 1040 and the remaining basis in his IRA. Jeff enters -0- on line 15b. This is Jeff's only IRA and he took no other distributions in 2013. He also enters "QCD" next to line 15b to indicate a qualified charitable distribution.

After the distribution, his basis in his IRA is \$5,000. If Jeff itemizes deductions and files Schedule A with Form 1040, the \$5,000 portion of the distribution attributable to the

nondeductible contributions can be deducted as a charitable contribution, subject to AGI limits. He cannot take charitable contribution deduction for the \$20,000 portion of the distribution that was not included in his income.

January 2013 QCDs treated as made in 2012. If you made a QCD in January 2013, you could have elected to have it treated as made in 2012. If you made this election, the full amount of the QCD counted towards your 2012 required minimum distribution and does not count towards your 2013 required minimum distribution. Even if you made this election, you must report the QCD on your 2013 tax return, as discussed below.

2013 Reporting. If you made a QCD in 2013, include the full amount of the QCD on your 2013 Form 1040, line 15a; Form 1040A, line 11a; or Form 1040NR, line 16a. Any amount over the \$100,000 limit must be included on your 2013 Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b. Be sure to enter "QCD" next to 2013

Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b.

Additional reporting requirements if you made the election to treat a January 2013 QCD as made in 2012. If you made a QCD in January 2013 and you elected to treat it as made in 2012, this amount will be reported to you on a 2013 Form 1099-R in 2014. You will need to include this amount with any other 2013 distributions on your 2013 Form 1040, line 15a; Form 1040A, line 11a; or Form 1040NR, line 16a, even though you already reported it on your 2012 tax return. Report this amount on your 2013 tax return even if it is the only IRA distribution that you are reporting. See *2013 Reporting* above and follow the reporting instructions there and in your 2013 tax return.

If the total of your QCDs made in 2013, including your January QCD that you elected to treat as made in 2012, exceeds \$100,000, attach a statement to your return listing your QCDs for 2012 and 2013. If you are married filing a joint return, the \$100,000 limit applies separately to each of you.

If you are required to file a 2013 Form 5329 because you failed to take your total required minimum distributions for 2013, do not include the amount of the January QCD that you elected to treat as made in 2012 on Form 5329, line 51.

Example. Victor has only one IRA with a total value of \$250,000 as of December 31, 2012. It consists of deductible contributions and earnings, therefore he does not have to fill out a Form 8606.

On January 15, 2013, Victor, age 77, directed the trustee of his IRA to make a distribution of \$25,000 directly to a qualified 501(c)(3) organization (a charitable organization eligible to receive tax-deductible contributions). This transaction meets the requirements to be considered a QCD, see discussion earlier. He elected to treat this QCD as if it was made in 2012. He reported this amount on his 2012 Form 1040, line 15a. The full amount of this QCD would count towards his 2012 required minimum distribution but would not count towards his 2013 required minimum distribution given his election.

On November 29, 2013, Victor directs the trustee of the same IRA above to make another distribution of \$25,000 directly to the same organization. This qualifies as a QCD. This amount would count towards his 2013 required minimum distribution.

On January 30, 2014, he receives his 2013 Form 1099-R reporting a total distribution of \$50,000 for his QCDs. The QCDs were the only distributions made from his IRA in 2013. When he fills out his 2013 Form 1040, he will enter \$50,000 on line 15a, and -0- on line 15b and "QCD" next to that line.

Onetime qualified HSA funding distribution. You may be able to make a qualified HSA funding distribution from your traditional IRA or Roth IRA to your Health Savings Account (HSA). You cannot make this distribution from an ongoing SEP IRA or SIMPLE IRA. For this purpose, a SEP IRA or SIMPLE IRA is ongoing if an employer contribution is made for the plan year ending with or within your tax year in which the distribution would be made. The distribution

must be less than or equal to your maximum annual HSA contribution.

This distribution must be made directly by the trustee of the IRA to the trustee of the HSA. The distribution is not included in your income, is not deductible, and reduces the amount that can be contributed to your HSA. You must make the distribution by the end of the year; the special rule allowing contributions to your HSA for the previous year if made by your tax return filing deadline does not apply. The qualified HSA funding distribution is reported on Form 8889, Health Savings Accounts, for the year in which the distribution is made.

One-time transfer. Generally, only one qualified HSA funding distribution is allowed during your lifetime. If you own two or more IRAs, and want to use amounts in multiple IRAs to make a qualified HSA funding distribution, you must first make an IRA-to-IRA transfer of the amounts to be distributed into a single IRA, and then make the one-time qualified HSA funding distribution from that IRA.

Testing period rules apply. If at any time during the testing period you cease to meet all requirements to be an eligible individual, the amount of the qualified HSA funding distribution is included in your gross income. The qualified HSA funding distribution is included in gross income in the taxable year you first fail to be an eligible individual. This amount is subject to the 10 percent additional tax (unless the failure is due to disability or death).

More information. See Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, for additional information about this distribution.

Ordinary income. Distributions from traditional IRAs that you include in income are taxed as ordinary income.

No special treatment. In figuring your tax, you cannot use the 10-year tax option or capital gain treatment that applies to lump-sum distributions from qualified retirement plans.

Distributions Fully or Partly Taxable

Distributions from your traditional IRA may be fully or partly taxable, depending on whether your IRA includes any nondeductible contributions.

Fully taxable. If only deductible contributions were made to your traditional IRA (or IRAs, if you have more than one), you have no basis in your IRA. Because you have no basis in your IRA, any distributions are fully taxable when received. See *Reporting and Withholding Requirements for Taxable Amounts*, later.

Partly taxable. If you made nondeductible contributions or rolled over any after-tax amounts to any of your traditional IRAs, you have a cost basis (investment in the contract) equal to the amount of those contributions. These nondeductible contributions are not taxed when they are distributed to you. They are a return of your investment in your IRA.

Only the part of the distribution that represents nondeductible contributions and

rolled over after-tax amounts (your cost basis) is tax free. If nondeductible contributions have been made or after-tax amounts have been rolled over to your IRA, distributions consist partly of nondeductible contributions (basis) and partly of deductible contributions, earnings, and gains (if there are any). Until all of your basis has been distributed, each distribution is partly nontaxable and partly taxable.

Form 8606. You must complete Form 8606, and attach it to your return, if you receive a distribution from a traditional IRA and have ever made nondeductible contributions or rolled over after-tax amounts to any of your traditional IRAs. Using the form, you will figure the nontaxable distributions for 2013, and your total IRA basis for 2013 and earlier years. See the illustrated Forms 8606 in this chapter.

Note. If you are required to file Form 8606, but you are not required to file an income tax return, you still must file Form 8606. Complete Form 8606, sign it, and send it to

the IRS at the time and place you would otherwise file an income tax return.

Figuring the Nontaxable and Taxable Amounts

If your traditional IRA includes nondeductible contributions and you received a distribution from it in 2013, you must use Form 8606 to figure how much of your 2013 IRA distribution is tax free.

Note. When figuring the nontaxable and taxable amounts of distributions made prior to death in the year the IRA account owner dies, the value of all traditional (including SEP) and SIMPLE IRAs should be figured as of the date of death instead of December 31.

Contribution and distribution in the same year. If you received a distribution in 2013 from a traditional IRA and you also made contributions to a traditional IRA for 2013 that may not be fully deductible because of the income limits, you can use Worksheet 1-5 to figure how much of your 2013 IRA distribution is tax free and how much is taxable. Then you can figure the amount of

nondeductible contributions to report on Form 8606. Follow the instructions under *Reporting your nontaxable distribution on Form 8606*, next, to figure your remaining basis after the distribution.

Reporting your nontaxable distribution on Form 8606. To report your nontaxable distribution and to figure the remaining basis in your traditional IRA after distributions, you must complete Worksheet 1-5 before completing Form 8606. Then follow these steps to complete Form 8606.

1. Use Worksheet 1-2, earlier, or the IRA Deduction Worksheet in the Form 1040, 1040A, or 1040NR instructions to figure your deductible contributions to traditional IRAs to report on Form 1040, line 32; Form 1040A, line 17; or Form 1040NR, line 32.
2. After you complete Worksheet 1-2 or the IRA deduction worksheet in the form instructions, enter your nondeductible contributions to traditional IRAs on line 1 of Form 8606.

3. Complete lines 2 through 5 of Form 8606.
4. If line 5 of Form 8606 is less than line 8 of Worksheet 1-5, complete lines 6 through 15 of Form 8606 and stop here.
5. If line 5 of Form 8606 is equal to or greater than line 8 of Worksheet 1-5, follow instructions 6 and 7, next. Do not complete lines 6 through 12 of Form 8606.
6. Enter the amount from line 8 of Worksheet 1-5 on lines 13 and 17 of Form 8606.
7. Complete line 14 of Form 8606.
8. Enter the amount from line 9 of Worksheet 1-5 (or, if you entered an amount on line 11, the amount from that line) on line 15 of Form 8606.

Example. Rose Green has made the following contributions to her traditional IRAs.

<u>Year</u>	<u>Deductible</u>	<u>Nondeductible</u>
2006	2,000	-0-
2007	2,000	-0-
2008	2,000	-0-
2009	1,000	-0-
2010	1,000	-0-
2011	1,000	-0-
2012	700	300
Totals	<u>\$9,700</u>	<u>\$300</u>

Rose needs to complete Worksheet 1–5. Figuring the Taxable Part of Your IRA Distribution to determine if her IRA deduction for 2013 will be reduced or eliminated. In 2013, she makes a \$2,000 contribution that may be partly nondeductible. She also receives a distribution of \$5,000 for conversion to a Roth IRA. She completed the conversion before December 31, 2013, and did not recharacterize any contributions. At the end of 2013, the fair market values of her accounts, including earnings, total \$20,000. She did not receive any tax-free distributions in earlier years. The amount she includes in income for 2013 is figured on Worksheet 1-5. Figuring the Taxable Part of Your IRA Distribution—Illustrated.

The illustrated Form 8606 for Rose shows the information required when you need to use Worksheet 1-5 to figure your nontaxable distribution. Assume that the \$500 entered on Form 8606, line 1, is the amount Rose figured using instructions 1 and 2 given earlier under Reporting your nontaxable distribution on Form 8606.

Worksheet 1-5. **Figuring the Taxable Part of Your IRA Distribution**

Keep for Your Records 

Use only if you made contributions to a traditional IRA for 2013 that may not be fully deductible and have to figure the taxable part of your 2013 distributions to determine your modified AGI. See [Limit if Covered by Employer Plan](#), earlier.

Form 8606 and the related instructions will be needed when using this worksheet.

Note. When used in this worksheet, the term **outstanding rollover** refers to an amount distributed from a traditional IRA as part of a rollover that, as of December 31, 2013, had not yet been reinvested in another traditional IRA, but was still eligible to be rolled over tax free.

1. Enter the basis in your traditional IRAs as of December 31, 2012	1. _____
2. Enter the total of all contributions made to your traditional IRAs during 2013 and all contributions made during 2014 that were for 2013, whether or not deductible . Do not include rollover contributions properly rolled over into IRAs. Also, do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.	2. _____
3. Add lines 1 and 2	3. _____
4. Enter the value of all your traditional IRAs as of December 31, 2013 (include any outstanding rollovers from traditional IRAs to other traditional IRAs).	4. _____
5. Enter the total distributions from traditional IRAs (including amounts converted to Roth IRAs that will be shown on line 16 of Form 8606) received in 2013. (Do not include outstanding rollovers included on line 4 or any rollovers between traditional IRAs completed by December 31, 2013. Also, do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.)	5. _____
6. Add lines 4 and 5	6. _____
7. Divide line 3 by line 6. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7. _____
8. Nontaxable portion of the distribution. Multiply line 5 by line 7. Enter the result here and on lines 13 and 17 of Form 8606	8. _____
9. Taxable portion of the distribution (before adjustment for conversions). Subtract line 8 from line 5. Enter the result here and if there are no amounts converted to Roth IRAs, stop here and enter the result on line 15 of Form 8606	9. _____
10. Enter the amount included on line 9 that is allocable to amounts converted to Roth IRAs by December 31, 2013. (See <i>Note</i> at the end of this worksheet.) Enter here and on line 18 of Form 8606	10. _____
11. Taxable portion of the distribution (after adjustments for conversions). Subtract line 10 from line 9. Enter the result here and on line 15 of Form 8606	11. _____

Note. If the amount on line 5 of this worksheet includes an amount converted to a Roth IRA by December 31, 2013, you must determine the percentage of the distribution allocable to the conversion. To figure the percentage, divide the amount converted (from line 16 of Form 8606) by the total distributions shown on line 5. To figure the amounts to include on line 10 of this worksheet and on line 18, Part II of Form 8606, multiply line 9 of the worksheet by the percentage you figured.

Worksheet 1-5. **Figuring the Taxable Part of Your IRA Distribution—Illustrated**

Use only if you made contributions to a traditional IRA for 2013 that may not be fully deductible and have to figure the taxable part of your 2013 distributions to determine your modified AGI. See [Limit if Covered by Employer Plan](#), earlier.

Form 8606 and the related instructions will be needed when using this worksheet.

Note. When used in this worksheet, the term **outstanding rollover** refers to an amount distributed from a traditional IRA as part of a rollover that, as of December 31, 2013, had not yet been reinvested in another traditional IRA, but was still eligible to be rolled over tax free.

1. Enter the basis in your traditional IRAs as of December 31, 2012	1.	300
2. Enter the total of all contributions made to your traditional IRAs during 2013 and all contributions made during 2014 that were for 2013, whether or not deductible . Do not include rollover contributions properly rolled over into IRAs. Also, do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.	2.	2,000
3. Add lines 1 and 2	3.	2,300
4. Enter the value of all your traditional IRAs as of December 31, 2013 (include any outstanding rollovers from traditional IRAs to other traditional IRAs)	4.	20,000
5. Enter the total distributions from traditional IRAs (including amounts converted to Roth IRAs that will be shown on line 16 of Form 8606) received in 2013. (Do not include outstanding rollovers included on line 4 or any rollovers between traditional IRAs completed by December 31, 2013. Also, do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.)	5.	5,000
6. Add lines 4 and 5	6.	25,000
7. Divide line 3 by line 6. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7.	.092
8. Nontaxable portion of the distribution. Multiply line 5 by line 7. Enter the result here and on lines 13 and 17 of Form 8606	8.	460
9. Taxable portion of the distribution (before adjustment for conversions). Subtract line 8 from line 5. Enter the result here and if there are no amounts converted to Roth IRAs, stop here and enter the result on line 15 of Form 8606	9.	4,540
10. Enter the amount included on line 9 that is allocable to amounts converted to Roth IRAs by December 31, 2013. (See <i>Note</i> at the end of this worksheet.) Enter here and on line 18 of Form 8606	10.	4,540
11. Taxable portion of the distribution (after adjustments for conversions). Subtract line 10 from line 9. Enter the result here and on line 15 of Form 8606	11.	0

Note. If the amount on line 5 of this worksheet includes an amount converted to a Roth IRA by December 31, 2013, you must determine the percentage of the distribution allocable to the conversion. To figure the percentage, divide the amount converted (from line 16 of Form 8606) by the total distributions shown on line 5. To figure the amounts to include on line 10 of this worksheet and on line 18, Part II of Form 8606, multiply line 9 of the worksheet by the percentage you figured.

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions.
Rose Green
Your social security number
001-00-0000

Fill in Your Address Only
If You Are Filing This
Form by Itself and Not
With Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home)		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).		
Foreign country name	Foreign province/state/county	Foreign postal code

Part I **Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs**
Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2013.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2013 **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year. For this purpose, a distribution does not include a rollover, qualified charitable distributions, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013 (excluding any portion you recharacterized) **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2013, including those made for 2013 from January 1, 2014, through April 15, 2014 (see instructions)	1	<i>500</i>	
2	Enter your total basis in traditional IRAs (see instructions)	2	<i>300</i>	
3	Add lines 1 and 2	3	<i>800</i>	
<div>In 2013, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion?</div> <div><input type="radio"/> No ► Enter the amount from line 3 on line 14. Do not complete the rest of Part I.</div> <div><input type="radio"/> Yes ► Go to line 4.</div>				
4	Enter those contributions included on line 1 that were made from January 1, 2014, through April 15, 2014	4	<i>0</i>	
5	Subtract line 4 from line 3	5	<i>800</i>	
6	Enter the value of all your traditional, SEP, and SIMPLE IRAs as of December 31, 2013, plus any outstanding rollovers (see instructions)	6		
7	Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2013. Do not include rollovers, qualified charitable distributions, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions)	7		
8	Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013. Do not include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16	8		
9	Add lines 6, 7, and 8	9		
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000"	10	×	
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17	11		
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA	12		
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions	13	<i>460*</i>	
14	Subtract line 13 from line 3. This is your total basis in traditional IRAs for 2013 and earlier years	14	<i>340</i>	
15	Taxable amount. Subtract line 12 from line 7. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b Note. You may be subject to an additional 10% tax on the amount on line 15 if you were under age 59½ at the time of the distribution (see instructions).	15	<i>0</i>	

Part II

2013 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs

Complete this part if you converted part or all of your traditional, SEP, and SIMPLE IRAs to a Roth IRA in 2013 (excluding any portion you recharacterized).

16	If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013. Do not include amounts you later recharacterized back to traditional, SEP, or SIMPLE IRAs in 2013 or 2014 (see instructions)	16	5,000	
17	If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions)	17	460	
18	Taxable amount. Subtract line 17 from line 16. Also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	18	4,540*	

Part III

Distributions From Roth IRAs

Complete this part only if you took a distribution from a Roth IRA in 2013. For this purpose, a distribution does not include a rollover, qualified charitable distributions, a one-time distribution to fund an HSA, recharacterization, or return of certain contributions (see instructions).

19	Enter your total nonqualified distributions from Roth IRAs in 2013, including any qualified first-time homebuyer distributions (see instructions)	19		
20	Qualified first-time homebuyer expenses (see instructions). Do not enter more than \$10,000	20		
21	Subtract line 20 from line 19. If zero or less, enter -0- and skip lines 22 through 25	21		
22	Enter your basis in Roth IRA contributions (see instructions)	22		
23	Subtract line 22 from line 21. If zero or less, enter -0- and skip lines 24 and 25. If more than zero, you may be subject to an additional tax (see instructions)	23		
24	Enter your basis in conversions from traditional, SEP, and SIMPLE IRAs and rollovers from qualified retirement plans to a Roth IRA (see instructions)	24		
25	Taxable amount. Subtract line 24 from line 23. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	25		

Sign Here Only If You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature

Date

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	Firm's EIN			
	Firm's address	Phone no.			

*From Worksheet 1 - 5 in Publication 590

Recognizing Losses on Traditional IRA Investments

If you have a loss on your traditional IRA investment, you can recognize (include) the loss on your income tax return, but only when all the amounts in all your traditional IRA accounts have been distributed to you and the total distributions are less than your unrecovered basis, if any.

Your basis is the total amount of the nondeductible contributions in your traditional IRAs.

You claim the loss as a miscellaneous itemized deduction, subject to the 2%-of-adjusted-gross-income limit that applies to certain miscellaneous itemized deductions on Schedule A (Form 1040). Any such losses are added back to taxable income for purposes of calculating the alternative minimum tax.

Example. Bill King has made nondeductible contributions to a traditional IRA totaling \$2,000, giving him a basis at the end of 2012 of \$2,000. By the end of 2013, his IRA earns \$400 in interest income. In that year, Bill

receives a distribution of \$600 (\$500 basis + \$100 interest), reducing the value of his IRA to \$1,800 ($\$2,000 + \$400 - \600) at year's end. Bill figures the taxable part of the distribution and his remaining basis on Form 8606 (illustrated).

In 2014, Bill's IRA has a loss of \$500. At the end of that year, Bill's IRA balance is \$1,300 ($\$1,800 - \500). Bill's remaining basis in his IRA is \$1,500 ($\$2,000 - \500). Bill receives the \$1,300 balance remaining in the IRA. He can claim a loss for 2014 of \$200 (the \$1,500 basis minus the \$1,300 distribution of the IRA balance).

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions.
Bill King

Your social security number
002-00-0000

Fill in Your Address Only
If You Are Filing This
Form by Itself and Not
With Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home)

Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).

Foreign country name

Foreign province/state/county

Foreign postal code

Part I

Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2013.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2013 **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year. For this purpose, a distribution does not include a rollover, qualified charitable distributions, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013 (excluding any portion you recharacterized) **and** you made nondeductible contributions to a traditional IRA in 2013 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2013, including those made for 2013 from January 1, 2014, through April 15, 2014 (see instructions)	1	0
2	Enter your total basis in traditional IRAs (see instructions)	2	2,000
3	Add lines 1 and 2	3	2,000
<div><div>In 2013, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion?</div><div>No</div><div>Yes</div></div> <div><div>Enter the amount from line 3 on line 14. Do not complete the rest of Part I.</div><div>Go to line 4.</div></div>			
4	Enter those contributions included on line 1 that were made from January 1, 2014, through April 15, 2014	4	0
5	Subtract line 4 from line 3	5	2,000
6	Enter the value of all your traditional, SEP, and SIMPLE IRAs as of December 31, 2013, plus any outstanding rollovers (see instructions)	6	1,800
7	Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2013. Do not include rollovers, qualified charitable distributions, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions)	7	600
8	Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2013. Do not include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16	8	
9	Add lines 6, 7, and 8	9	2,400
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000"	10	× .833
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17	11	
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA	12	500
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions	13	500
14	Subtract line 13 from line 3. This is your total basis in traditional IRAs for 2013 and earlier years	14	1,500
15	Taxable amount. Subtract line 12 from line 7. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b Note. You may be subject to an additional 10% tax on the amount on line 15 if you were under age 59½ at the time of the distribution (see instructions).	15	100

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Other Special IRA Distribution Situations

Two other special IRA distribution situations are discussed next.

Distribution of an annuity contract from your IRA account. You can tell the trustee or custodian of your traditional IRA account to use the amount in the account to buy an annuity contract for you. You are not taxed when you receive the annuity contract (unless the annuity contract is being converted to an annuity held by a Roth IRA). You are taxed when you start receiving payments under that annuity contract.

Tax treatment. If only deductible contributions were made to your traditional IRA since it was opened (this includes all your traditional IRAs, if you have more than one), the annuity payments are fully taxable.

If any of your traditional IRAs include both deductible and nondeductible contributions, the annuity payments are taxed as explained earlier under *Distributions Fully or Partly Taxable.*

Cashing in retirement bonds. When you cash in retirement bonds, you are taxed on the entire amount you receive. Unless you have already cashed them in, you will be taxed on the entire value of your bonds in the year in which you reach age 70½. The value of the bonds is the amount you would have received if you had cashed them in at the end of that year. When you later cash in the bonds, you will not be taxed again.

Reporting and Withholding Requirements for Taxable Amounts

If you receive a distribution from your traditional IRA, you will receive Form 1099-R, or a similar statement. IRA distributions are shown in boxes 1 and 2a of Form 1099-R. A number or letter code in box 7 tells you what type of distribution you received from your IRA.

Number codes. Some of the number codes are explained below. All of the codes are explained in the instructions for recipients on Form 1099-R.

- 1—Early distribution, no known exception.
- 2—Early distribution, exception applies.
- 3—Disability.
- 4—Death.
- 5—Prohibited transaction.
- 7—Normal distribution.
- 8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2013.



If code 1, 5, or 8 appears on your Form 1099R, you are probably subject to a penalty or additional tax. If code 1 appears, see Early Distributions, later. If code 5 appears, see Prohibited Transactions, later. If code 8 appears, see Excess Contributions, later.

Letter codes. Some of the letter codes are explained below. All of the codes are explained in the instructions for recipients on Form 1099-R.

- B—Designated Roth account distribution.

G—Direct rollover of a distribution (other than a designated Roth account distribution) to a qualified plan, a section 403(b) plan, a governmental section 457(b) plan, or an IRA.

H—Direct rollover of a designated Roth account distribution to a Roth IRA.

J—Early distribution from a Roth IRA.

N—Recharacterized IRA contribution made for 2013 and recharacterized in 2013.

P—Excess contributions plus earnings/excess deferrals taxable in 2012.

Q—Qualified distribution from a Roth IRA.

R—Recharacterized IRA contribution made for 2012 and recharacterized in 2013.

S—Early distribution from a SIMPLE IRA in the first 2 years, no known exception.

T—Roth IRA distribution, exception applies.

If the distribution shown on Form 1099-R is from your IRA, SEP IRA, or SIMPLE IRA, the

small box in box 7 (labeled *IRA/SEP/SIMPLE*) should be marked with an "X."



If code J, P, or S appears on your Form 1099R, you are probably subject to a penalty or additional tax. If code J appears, see Early Distributions, later. If code P appears, see Excess Contributions, later. If code S appears, see Additional Tax on Early Distributions in chapter 3.

Withholding. Federal income tax is withheld from distributions from traditional IRAs unless you choose not to have tax withheld.

The amount of tax withheld from an annuity or a similar periodic payment is based on your marital status and the number of withholding allowances you claim on your withholding certificate (Form W-4P). If you have not filed a certificate, tax will be withheld as if you are a married individual claiming three withholding allowances.

Generally, tax will be withheld at a 10% rate on non-periodic distributions.

IRA distributions delivered outside the United States. In general, if you are a U.S. citizen or resident alien and your home address is outside the United States or its possessions, you cannot choose exemption from withholding on distributions from your traditional IRA.

To choose exemption from withholding, you must certify to the payer under penalties of perjury that you are not a U.S. citizen, a resident alien of the United States, or a tax-avoidance expatriate.

Even if this election is made, the payer must withhold tax at the rates prescribed for nonresident aliens.

More information. For more information on withholding on pensions and annuities, see *Pensions and Annuities* in chapter 1 of Publication 505, *Tax Withholding and Estimated Tax*. For more information on withholding on nonresident aliens and foreign entities, see *Pensions, Annuities, and Alimony* under *Withholding on Specific Income* in Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Reporting taxable distributions on your return. Report fully taxable distributions, including early distributions, on Form 1040, line 15b (no entry is required on line 15a); Form 1040A, line 11b (no entry is required on line 11a); or Form 1040NR, line 16b (no entry is required on line 16a). If only part of the distribution is taxable, enter the total amount on Form 1040, line 15a; Form 1040A, line 11a; or Form 1040NR, line 16a, and enter the taxable part on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b. You cannot report distributions on Form 1040EZ or Form 1040NR-EZ.

Estate tax. Generally, the value of an annuity or other payment receivable by any beneficiary of a decedent's traditional IRA that represents the part of the purchase price contributed by the decedent (or by his or her former employer(s)) must be included in the decedent's gross estate. For more information, see the Instructions for Schedule I, Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return.

What Acts Result in Penalties or Additional Taxes?

The tax advantages of using traditional IRAs for retirement savings can be offset by additional taxes and penalties if you do not follow the rules. There are additions to the regular tax for using your IRA funds in prohibited transactions. There are also additional taxes for the following activities.

- Investing in collectibles.
- Making excess contributions.
- Taking early distributions.
- Allowing excess amounts to accumulate (failing to take required distributions).

There are penalties for overstating the amount of non-deductible contributions and for failure to file Form 8606, if required.

This chapter discusses those acts that you should avoid and the additional taxes and other costs, including loss of IRA status, that apply if you do not avoid those acts.

Prohibited Transactions

Generally, a prohibited transaction is any improper use of your traditional IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are some examples of prohibited transactions with a traditional IRA.

- Borrowing money from it.
- Selling property to it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.

Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your

IRA or exercises any authority or control in managing or disposing of its assets.

- Provides investment advice to your IRA for a fee, or has any authority or responsibility to do so.
- Has any discretionary authority or discretionary responsibility in administering your IRA.

Effect on an IRA account. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your traditional IRA account at any time during the year, the account stops being an IRA as of the first day of that year.

Effect on you or your beneficiary. If your account stops being an IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than your basis in the IRA, you will have a taxable gain that is includible in your income. For information on figuring your gain and

reporting it in income, see *Are Distributions Taxable*, earlier. The distribution may be subject to additional taxes or penalties.

Borrowing on an annuity contract. If you borrow money against your traditional IRA annuity contract, you must include in your gross income the fair market value of the annuity contract as of the first day of your tax year. You may have to pay the 10% additional tax on early distributions, discussed later.

Pledging an account as security. If you use a part of your traditional IRA account as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions, discussed later.

Trust account set up by an employer or an employee association. Your account or annuity does not lose its IRA treatment if your employer or the employee association with whom you have your traditional IRA engages in a prohibited transaction.

Owner participation. If you participate in the prohibited transaction with your employer or the association, your account is no longer treated as an IRA.

Taxes on prohibited transactions. If someone other than the owner or beneficiary of a traditional IRA engages in a prohibited transaction, that person may be liable for certain taxes. In general, there is a 15% tax on the amount of the prohibited transaction and a 100% additional tax if the transaction is not corrected.

Loss of IRA status. If the traditional IRA ceases to be an IRA because of a prohibited transaction by you or your beneficiary, you or your beneficiary are not liable for these excise taxes. However, you or your beneficiary may have to pay other taxes as discussed under *Effect on you or your beneficiary*, earlier.

Exempt Transactions

The following two types of transactions are not prohibited transactions if they meet the requirements that follow.

- Payments of cash, property, or other consideration by the sponsor of your traditional IRA to you (or members of your family).
- Your receipt of services at reduced or no cost from the bank where your traditional IRA is established or maintained.

Payments of cash, property, or other consideration. Even if a sponsor makes payments to you or your family, there is no prohibited transaction if all three of the following requirements are met.

1. The payments are for establishing a traditional IRA or for making additional contributions to it.
2. The IRA is established solely to benefit you, your spouse, and your or your spouse's beneficiaries.
3. During the year, the total fair market value of the payments you receive is not more than:
 - a. \$10 for IRA deposits of less than \$5,000, or

- b. \$20 for IRA deposits of \$5,000 or more.

If the consideration is group term life insurance, requirements (1) and (3) do not apply if no more than \$5,000 of the face value of the insurance is based on a dollar-for-dollar basis on the assets in your IRA.

Services received at reduced or no cost.

Even if a sponsor provides services at reduced or no cost, there is no prohibited transaction if all of the following requirements are met.

- The traditional IRA qualifying you to receive the services is established and maintained for the benefit of you, your spouse, and your or your spouse's beneficiaries.
- The bank itself can legally offer the services.
- The services are provided in the ordinary course of business by the bank (or a bank affiliate) to customers who qualify but do not maintain an IRA (or a Keogh plan).

- The determination, for a traditional IRA, of who qualifies for these services is based on an IRA (or a Keogh plan) deposit balance equal to the lowest qualifying balance for any other type of account.
- The rate of return on a traditional IRA investment that qualifies is not less than the return on an identical investment that could have been made at the same time at the same branch of the bank by a customer who is not eligible for (or does not receive) these services.

Investment in Collectibles

If your traditional IRA invests in collectibles, the amount invested is considered distributed to you in the year invested. You may have to pay the 10% additional tax on early distributions, discussed later.

Any amounts that were considered to be distributed when the investment in the collectible was made, and which were included in your income at that time, are not included in your income when the collectible is actually distributed from your IRA.

Collectibles. These include:

- Artworks,
- Rugs,
- Antiques,
- Metals,
- Gems,
- Stamps,
- Coins,
- Alcoholic beverages, and
- Certain other tangible personal property.

Exception. Your IRA can invest in one, one-half, one-quarter, or one-tenth ounce U.S. gold coins, or one-ounce silver coins minted by the Treasury Department. It can also invest in certain platinum coins and certain gold, silver, palladium, and platinum bullion.

Excess Contributions

Generally, an excess contribution is the amount contributed to your traditional IRAs for the year that is more than the smaller of:

- \$5,500 (\$6,500 if you are age 50 or older), or
- Your taxable compensation for the year.

The taxable compensation limit applies whether your contributions are deductible or nondeductible.

Contributions for the year you reach age 70½ and any later year are also excess contributions.

An excess contribution could be the result of your contribution, your spouse's contribution, your employer's contribution, or an improper rollover contribution. If your employer makes contributions on your behalf to a SEP IRA, see chapter 2 of Publication 560.

Tax on Excess Contributions

In general, if the excess contributions for a year are not withdrawn by the date your return for the year is due (including extensions), you are subject to a 6% tax. You must pay the 6% tax each year on excess amounts that remain in your traditional IRA at the end of your tax year. The tax cannot

be more than 6% of the combined value of all your IRAs as of the end of your tax year.

The additional tax is figured on Form 5329. For information on filing Form 5329, see Reporting Additional Taxes, later.

Example. For 2013, Paul Jones is 45 years old and single, his compensation is \$31,000, and he contributed \$6,000 to his traditional IRA. Paul has made an excess contribution to his IRA of \$500 (\$6,000 minus the \$5,500 limit). The contribution earned \$5 interest in 2013 and \$6 interest in 2014 before the due date of the return, including extensions. He does not withdraw the \$500 or the interest it earned by the due date of his return, including extensions.

Paul figures his additional tax for 2013 by multiplying the excess contribution (\$500) shown on Form 5329, line 16, by .06, giving him an additional tax liability of \$30. He enters the tax on Form 5329, line 17, and on Form 1040, line 58. See Paul's filled-in Form 5329, later.

Excess Contributions Withdrawn by Due Date of Return

You will not have to pay the 6% tax if you withdraw an excess contribution made during a tax year and you also withdraw any interest or other income earned on the excess contribution. You must complete your withdrawal by the date your tax return for that year is due, including extensions.

How to treat withdrawn contributions. Do not include in your gross income an excess contribution that you withdraw from your traditional IRA before your tax return is due if both of the following conditions are met.

- No deduction was allowed for the excess contribution.
- You withdraw the interest or other income earned on the excess contribution.

You can take into account any loss on the contribution while it was in the IRA when calculating the amount that must be withdrawn. If there was a loss, the net

income you must withdraw may be a negative amount.

In most cases, the net income you must transfer will be determined by your IRA trustee or custodian. If you need to determine the applicable net income you need to withdraw, you can use the same method that was used in Worksheet 1-3, earlier.

If you timely filed your 2013 tax return without withdrawing a contribution that you made in 2013, you can still have the contribution returned to you within 6 months of the due date of your 2013 tax return, excluding extensions. If you do, file an amended return with "Filed pursuant to section 301.9100-2" written at the top. Report any related earnings on the amended return and include an explanation of the withdrawal. Make any other necessary changes on the amended return (for example, if you reported the contributions as excess contributions on your original return, include an amended Form 5329 reflecting that the withdrawn contributions are no longer treated as having been contributed).

How to treat withdrawn interest or other income. You must include in your gross income the interest or other income that was earned on the excess contribution. Report it on your return for the year in which the excess contribution was made. Your withdrawal of interest or other income may be subject to an additional 10% tax on early distributions, discussed later.

Form 1099R. You will receive Form 1099-R indicating the amount of the withdrawal. If the excess contribution was made in a previous tax year, the form will indicate the year in which the earnings are taxable.

Example. Maria, age 35, made an excess contribution in 2013 of \$1,000, which she withdrew by April 15, 2014, the due date of her return. At the same time, she also withdrew the \$50 income that was earned on the \$1,000. She must include the \$50 in her gross income for 2013 (the year in which the excess contribution was made). She must also pay an additional tax of \$5 (the 10% additional tax on early distributions because

she is not yet 59½ years old), but she does not have to report the excess contribution as income or pay the 6% excise tax. Maria receives a Form 1099-R showing that the earnings are taxable for 2013.

**Additional Taxes on Qualified Plans
(Including IRAs) and Other Tax-Favored Accounts**

► **Attach to Form 1040 or Form 1040NR.**
► **Information about Form 5329 and its separate instructions is at www.irs.gov/form5329.**

OMB No. 1545-0074

2013

Attachment
Sequence No. **29**

Name of individual subject to additional tax. If married filing jointly, see instructions. <i>Paul Jones</i>		Your social security number <i>003-00-0000</i>	
Fill in Your Address Only If You Are Filing This Form by Itself and Not With Your Tax Return	Home address (number and street), or P.O. box if mail is not delivered to your home		Apt. no.
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).		If this is an amended return, check here ► <input type="checkbox"/>
	Foreign country name	Foreign province/state/county	

If you **only** owe the additional 10% tax on early distributions, you may be able to report this tax directly on Form 1040, line 58, or Form 1040NR, line 56, without filing Form 5329. See the instructions for Form 1040, line 58, or for Form 1040NR, line 56.

Part I Additional Tax on Early Distributions

Complete this part if you took a taxable distribution before you reached age 59½ from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040 or Form 1040NR—see above). You may also have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions (see instructions).

1	Early distributions included in income. For Roth IRA distributions, see instructions	1		
2	Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions: _____	2		
3	Amount subject to additional tax. Subtract line 2 from line 1	3		
4	Additional tax. Enter 10% (.10) of line 3. Include this amount on Form 1040, line 58, or Form 1040NR, line 56 Caution: <i>If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10% (see instructions).</i>	4		

Part II Additional Tax on Certain Distributions From Education Accounts

Complete this part if you included an amount in income, on Form 1040 or Form 1040NR, line 21, from a Coverdell education savings account (ESA) or a qualified tuition program (QTP).

5	Distributions included in income from Coverdell ESAs and QTPs	5		
6	Distributions included on line 5 that are not subject to the additional tax (see instructions) . . .	6		
7	Amount subject to additional tax. Subtract line 6 from line 5	7		
8	Additional tax. Enter 10% (.10) of line 7. Include this amount on Form 1040, line 58, or Form 1040NR, line 56	8		

Part III Additional Tax on Excess Contributions to Traditional IRAs

Complete this part if you contributed more to your traditional IRAs for 2013 than is allowable or you had an amount on line 17 of your 2012 Form 5329.

9	Enter your excess contributions from line 16 of your 2012 Form 5329 (see instructions). If zero, go to line 15	9		
10	If your traditional IRA contributions for 2013 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10		
11	2013 traditional IRA distributions included in income (see instructions) .	11		
12	2013 distributions of prior year excess contributions (see instructions) .	12		
13	Add lines 10, 11, and 12	13		
14	Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14		
15	Excess contributions for 2013 (see instructions)	15		500
16	Total excess contributions. Add lines 14 and 15	16		500
17	Additional tax. Enter 6% (.06) of the smaller of line 16 or the value of your traditional IRAs on December 31, 2013 (including 2013 contributions made in 2014). Include this amount on Form 1040, line 58, or Form 1040NR, line 56.	17		30

Part IV Additional Tax on Excess Contributions to Roth IRAs

Complete this part if you contributed more to your Roth IRAs for 2013 than is allowable or you had an amount on line 25 of your 2012 Form 5329.

18	Enter your excess contributions from line 24 of your 2012 Form 5329 (see instructions). If zero, go to line 23	18		
19	If your Roth IRA contributions for 2013 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19		
20	2013 distributions from your Roth IRAs (see instructions)	20		
21	Add lines 19 and 20	21		
22	Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22		
23	Excess contributions for 2013 (see instructions)	23		
24	Total excess contributions. Add lines 22 and 23	24		
25	Additional tax. Enter 6% (.06) of the smaller of line 24 or the value of your Roth IRAs on December 31, 2013 (including 2013 contributions made in 2014). Include this amount on Form 1040, line 58, or Form 1040NR, line 56	25		

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Excess Contributions Withdrawn After Due Date of Return

In general, you must include all distributions (withdrawals) from your traditional IRA in your gross income. However, if the following conditions are met, you can withdraw excess contributions from your IRA and not include the amount withdrawn in your gross income.

- Total contributions (other than rollover contributions) for 2013 to your IRA were not more than \$5,500 (\$6,500 if you are age 50 or older).
- You did not take a deduction for the excess contribution being withdrawn.

The withdrawal can take place at any time, even after the due date, including extensions, for filing your tax return for the year.

Excess contribution deducted in an earlier year. If you deducted an excess contribution in an earlier year for which the total contributions were not more than the maximum deductible amount for that year (see the following table), you can still remove

the excess from your traditional IRA and not include it in your gross income. To do this, file Form 1040X, Amended U.S. Individual Income Tax Return, for that year and do not deduct the excess contribution on the amended return. Generally, you can file an amended return within 3 years after you filed your return, or 2 years from the time the tax was paid, whichever is later.

Year(s)	Contribution Limit	Contribution limit if age 50 or older at the end of the year
2008 through 2012	\$5,000	\$6,000
2006 or 2007	\$4,000	\$5,000
2005	\$4,000	\$4,500
2002 through 2004	\$3,000	\$3,500
1997 through 2001	\$2,000	—
before 1997	\$2,250	—

Excess due to incorrect rollover

information. If an excess contribution in your traditional IRA is the result of a rollover and the excess occurred because the information the plan was required to give you was incorrect, you can withdraw the excess contribution. The limits mentioned above are increased by the amount of the excess that is due to the incorrect information. You will have to amend your return for the year in which the excess occurred to correct the reporting of the rollover amounts in that year. Do not include in your gross income the part of the excess contribution caused by the incorrect information.

Deducting an Excess Contribution in a Later Year

You cannot apply an excess contribution to an earlier year even if you contributed less than the maximum amount allowable for the earlier year. However, you may be able to apply it to a later year if the contributions for that later year are less than the maximum allowed for that year.

You can deduct excess contributions for previous years that are still in your traditional IRA. The amount you can deduct this year is the lesser of the following two amounts.

- Your maximum IRA deduction for this year minus any amounts contributed to your traditional IRAs for this year.
- The total excess contributions in your IRAs at the beginning of this year.

This method lets you avoid making a withdrawal. It does not, however, let you avoid the 6% tax on any excess contributions remaining at the end of a tax year.

To figure the amount of excess contributions for previous years that you can deduct this year, see Worksheet 1-6 next.

Worksheet 1-6. **Excess Contributions Deductible This Year**

Use this worksheet to figure the amount of excess contributions from prior years you can deduct this year.

1. Maximum IRA deduction for the current year	1. _____
2. IRA contributions for the current year	2. _____
3. Subtract line 2 from line 1. If zero (0) or less, enter zero	3. _____
4. Excess contributions in IRA at beginning of year	4. _____
5. Enter the lesser of line 3 or line 4. This is the amount of excess contributions for previous years that you can deduct this year	5. _____

Example. Teri was entitled to contribute to her traditional IRA and deduct \$1,000 in 2012 and \$1,500 in 2013 (the amounts of her taxable compensation for these years). For 2012, she actually contributed \$1,400 but

could deduct only \$1,000. In 2012, \$400 is an excess contribution subject to the 6% tax. However, she would not have to pay the 6% tax if she withdrew the excess (including any earnings) before the due date of her 2012 return. Because Teri did not withdraw the excess, she owes excise tax of \$24 for 2012. To avoid the excise tax for 2013, she can correct the \$400 excess amount from 2012 in 2013 if her actual contributions are only \$1,100 for 2013 (the allowable deductible contribution of \$1,500 minus the \$400 excess from 2012 she wants to treat as a deductible contribution in 2013). Teri can deduct \$1,500 in 2013 (the \$1,100 actually contributed plus the \$400 excess contribution from 2012). This is shown on Worksheet 1-6. Example—Illustrated next.

Worksheet 1-6. **Example—Illustrated**

Use this worksheet to figure the amount of excess contributions from prior years you can deduct this year.

1. Maximum IRA deduction for the current year	1. <u>1,500</u>
2. IRA contributions for the current year	2. <u>1,100</u>
3. Subtract line 2 from line 1. If zero (0) or less, enter zero	3. <u>400</u>
4. Excess contributions in IRA at beginning of year	4. <u>400</u>
5. Enter the lesser of line 3 or line 4. This is the amount of excess contributions for previous years that you can deduct this year	5. <u>400</u>

Closed tax year. A special rule applies if you incorrectly deducted part of the excess contribution in a closed tax year (one for which the period to assess a tax deficiency has expired). The amount allowable as a traditional IRA deduction for a later correction year (the year you contribute less than the

allowable amount) must be reduced by the amount of the excess contribution deducted in the closed year.

To figure the amount of excess contributions for previous years that you can deduct this year if you incorrectly deducted part of the excess contribution in a closed tax year, see Worksheet 1-7 next.

Worksheet 1-7. **Excess Contributions Deductible This Year if Any Were Deducted in a Closed Tax Year**

Use this worksheet to figure the amount of excess contributions for prior years that you can deduct this year if you incorrectly deducted excess contributions in a closed tax year.

1. Maximum IRA deduction for the current year	1. _____
2. IRA contributions for the current year	2. _____
3. If line 2 is less than line 1, enter any excess contributions that were deducted in a closed tax year. Otherwise, enter zero (0)	3. _____
4. Subtract line 3 from line 1	4. _____
5. Subtract line 2 from line 4. If zero (0) or less, enter zero	5. _____
6. Excess contributions in IRA at beginning of year	6. _____
7. Enter the lesser of line 5 or line 6. This is the amount of excess contributions for previous years that you can deduct this year	7. _____

Early Distributions

You must include early distributions of taxable amounts from your traditional IRA in your gross income. Early distributions are also subject to an additional 10% tax, as discussed later.

Early distributions defined. Early distributions generally are amounts distributed from your traditional IRA account or annuity before you are age 59½, or amounts you receive when you cash in retirement bonds before you are age 59½.

Age 59½ Rule

Generally, if you are under age 59½, you must pay a 10% additional tax on the distribution of any assets (money or other property) from your traditional IRA.

Distributions before you are age 59½ are called early distributions.

The 10% additional tax applies to the part of the distribution that you have to include in gross income. It is in addition to any regular income tax on that amount.

A number of exceptions to this rule are discussed later under *Exceptions*. Also see *Contributions Returned Before Due Date of Return*, earlier.



You may have to pay a 25%, rather than a 10%, additional tax if you receive distributions from a SIMPLE IRA before you are age 59½. See Additional Tax on Early Distributions under When Can You Withdraw or Use Assets? in chapter 3.

After age 59½ and before age 70½ .

After you reach age 59½, you can receive distributions without having to pay the 10% additional tax. Even though you can receive distributions after you reach age 59½, distributions are not required until you reach age 70½. See *When Must You Withdraw Assets? (Required Minimum Distributions)*, earlier.

Exceptions

There are several exceptions to the age 59½ rule. Even if you receive a distribution before you are age 59½, you may not have to pay

the 10% additional tax if you are in one of the following situations.

- You have unreimbursed medical expenses that are more than 10% (or 7.5% if you or your spouse was born before January 2, 1949) of your adjusted gross income.
- The distributions are not more than the cost of your medical insurance due to a period of unemployment.
- You are totally and permanently disabled.
- You are the beneficiary of a deceased IRA owner.
- You are receiving distributions in the form of an annuity.
- The distributions are not more than your qualified higher education expenses.
- You use the distributions to buy, build, or rebuild a first home.
- The distribution is due to an IRS levy of the qualified plan.
- The distribution is a qualified reservist distribution.

Most of these exceptions are explained below.

Note. Distributions that are timely and properly rolled over, as discussed earlier, are not subject to either regular income tax or the 10% additional tax. Certain withdrawals of excess contributions after the due date of your return are also tax free and therefore not subject to the 10% additional tax. (See *Excess Contributions Withdrawn After Due Date of Return*, earlier.) This also applies to transfers incident to divorce, as discussed earlier under *Can You Move Retirement Plan Assets*.

Receivership distributions. Early distributions (with or without your consent) from savings institutions placed in receivership are subject to this tax unless one of the above exceptions applies. This is true even if the distribution is from a receiver that is a state agency.

Unreimbursed medical expenses. Even if you are under age 59½, you do not have to pay the 10% additional tax on distributions that are not more than:

- The amount you paid for unreimbursed medical expenses during the year of the distribution, minus
- 10% (or 7.5% if you or your spouse was born before January 2, 1949) of your adjusted gross income (defined next) for the year of the distribution.

You can only take into account unreimbursed medical expenses that you would be able to include in figuring a deduction for medical expenses on Schedule A (Form 1040). You do not have to itemize your deductions to take advantage of this exception to the 10% additional tax.

Adjusted gross income. This is the amount on Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 37.

Medical insurance. Even if you are under age 59½, you may not have to pay the 10% additional tax on distributions during the year that are not more than the amount you paid during the year for medical insurance for yourself, your spouse, and your dependents. You will not have to pay the tax on these

amounts if all of the following conditions apply.

- You lost your job.
- You received unemployment compensation paid under any federal or state law for 12 consecutive weeks because you lost your job.
- You receive the distributions during either the year you received the unemployment compensation or the following year.
- You receive the distributions no later than 60 days after you have been reemployed.

Disabled. If you become disabled before you reach age 59½, any distributions from your traditional IRA because of your disability are not subject to the 10% additional tax.

You are considered disabled if you can furnish proof that you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that your condition can be expected to result in death or to be of long, continued, and indefinite duration.

Beneficiary. If you die before reaching age 59½, the assets in your traditional IRA can be distributed to your beneficiary or to your estate without either having to pay the 10% additional tax.

However, if you inherit a traditional IRA from your deceased spouse and elect to treat it as your own (as discussed under *What if You Inherit an IRA*, earlier), any distribution you later receive before you reach age 59½ may be subject to the 10% additional tax.

Annuity. You can receive distributions from your traditional IRA that are part of a series of substantially equal payments over your life (or your life expectancy), or over the lives (or the joint life expectancies) of you and your beneficiary, without having to pay the 10% additional tax, even if you receive such distributions before you are age 59½. You must use an IRS-approved distribution method and you must take at least one distribution annually for this exception to apply. The “required minimum distribution method,” when used for this purpose, results

in the exact amount required to be distributed, not the minimum amount.

There are two other IRS-approved distribution methods that you can use. They are generally referred to as the “fixed amortization method” and the “fixed annuitization method.” These two methods are not discussed in this publication because they are more complex and generally require professional assistance. For information on these methods, see Revenue Ruling 2002-62, which is on page 710 of Internal Revenue Bulletin 2002-42 at www.irs.gov/pub/irsirbs/irb0242.pdf.

Recapture tax for changes in distribution method under equal payment exception.

You may have to pay an early distribution recapture tax if, before you reach age 59½, the distribution method under the equal periodic payment exception changes (for reasons other than your death or disability). The tax applies if the method changes from the method requiring equal payments to a method that would not have qualified for the exception to the tax. The recapture tax applies to the first tax year to which the

change applies. The amount of tax is the amount that would have been imposed had the exception not applied, plus interest for the deferral period.

You may have to pay the recapture tax if you do not receive the payments for at least 5 years under a method that qualifies for the exception. You may have to pay it even if you modify your method of distribution after you reach age 59½. In that case, the tax applies only to payments distributed before you reach age 59½.

Report the recapture tax and interest on line 4 of Form 5329. Attach an explanation to the form. Do not write the explanation next to the line or enter any amount for the recapture on lines 1 or 3 of the form.

One-time switch. If you are receiving a series of substantially equal periodic payments, you can make a one-time switch to the required minimum distribution method at any time without incurring the additional tax. Once a change is made, you must follow the required minimum distribution method in all subsequent years.

Higher education expenses. Even if you are under age 59½, if you paid expenses for higher education during the year, part (or all) of any distribution may not be subject to the 10% additional tax. The part not subject to the tax is generally the amount that is not more than the qualified higher education expenses (defined next) for the year for education furnished at an eligible educational institution (defined below). The education must be for you, your spouse, or the children or grandchildren of you or your spouse.

When determining the amount of the distribution that is not subject to the 10% additional tax, include qualified higher education expenses paid with any of the following funds.

- Payment for services, such as wages.
- A loan.
- A gift.
- An inheritance given to either the student or the individual making the withdrawal.

- A withdrawal from personal savings (including savings from a qualified tuition program).

Do not include expenses paid with any of the following funds.

- Tax-free distributions from a Coverdell education savings account.
- Tax-free part of scholarships and fellowships.
- Pell grants.
- Employer-provided educational assistance.
- Veterans' educational assistance.
- Any other tax-free payment (other than a gift or inheritance) received as educational assistance.

Qualified higher education expenses.

Qualified higher education expenses are tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an eligible educational institution. They also include expenses for special needs services incurred by or for special needs

students in connection with their enrollment or attendance. In addition, if the individual is at least a half-time student, room and board are qualified higher education expenses.

Eligible educational institution. This is any college, university, vocational school, or other postsecondary educational institution eligible to participate in the student aid programs administered by the U.S. Department of Education. It includes virtually all accredited, public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions. The educational institution should be able to tell you if it is an eligible educational institution.

For more information, see chapter 9 of Publication 970, Tax Benefits for Education.

First home. Even if you are under age 59½, you do not have to pay the 10% additional tax on up to \$10,000 of distributions you receive to buy, build, or rebuild a first home. To qualify for treatment as a first-time homebuyer distribution, the distribution must meet all the following requirements.

1. It must be used to pay qualified acquisition costs (defined next) before the close of the 120th day after the day you received it.
2. It must be used to pay qualified acquisition costs for the main home of a first-time homebuyer (defined below) who is any of the following.
 - a. Yourself.
 - b. Your spouse.
 - c. Your or your spouse's child.
 - d. Your or your spouse's grandchild.
 - e. Your or your spouse's parent or other ancestor.
3. When added to all your prior qualified first-time homebuyer distributions, if any, total qualifying distributions cannot be more than \$10,000.



If both you and your spouse are first-time homebuyers (defined later), each of you can receive distributions

up to \$10,000 for a first home without having to pay the 10% additional tax.

Qualified acquisition costs. Qualified acquisition costs include the following items.

- Costs of buying, building, or rebuilding a home.
- Any usual or reasonable settlement, financing, or other closing costs.

First-time homebuyer. Generally, you are a first-time homebuyer if you had no present interest in a main home during the 2-year period ending on the date of acquisition of the home which the distribution is being used to buy, build, or rebuild. If you are married, your spouse must also meet this no-ownership requirement.

Date of acquisition. The date of acquisition is the date that:

- You enter into a binding contract to buy the main home for which the distribution is being used, or

- The building or rebuilding of the main home for which the distribution is being used begins.



If you received a distribution to buy, build, or rebuild a first home and the purchase or construction was canceled or delayed, you generally can contribute the amount of the distribution to an IRA within 120 days of the distribution. This contribution is treated as a rollover contribution to the IRA.

Qualified reservist distributions.

A qualified reservist distribution is not subject to the additional tax on early distributions.

Definition. A distribution you receive is a qualified reservist distribution if the following requirements are met.

- You were ordered or called to active duty after September 11, 2001.
- You were ordered or called to active duty for a period of more than 179 days or for an indefinite period because you are a member of a reserve component.

- The distribution is from an IRA or from amounts attributable to elective deferrals under a section 401(k) or 403(b) plan or a similar arrangement.
- The distribution was made no earlier than the date of the order or call to active duty and no later than the close of the active duty period.

Reserve component. The term “reserve component” means the:

- Army National Guard of the United States,
- Army Reserve,
- Naval Reserve,
- Marine Corps Reserve,
- Air National Guard of the United States,
- Air Force Reserve,
- Coast Guard Reserve, or
- Reserve Corps of the Public Health Service.