

## Sample article for organizations and employers to use to reach customers

Customize and provide the following article in your communication vehicles for SIMPLE IRA owners.

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### Must-Know Rules for SIMPLE IRA Owners

You generally have to pay income tax on any distribution (amount withdrawn) from your SIMPLE IRA. However, did you know that under certain circumstances, you might also have to pay additional taxes of 10 or 25 percent?

If you get a distribution from your SIMPLE IRA before you are age 59 ½, you have to pay a 10 percent additional tax, unless you meet one of the following exceptions:

- The distributions are not more than your unreimbursed medical expenses that exceed 7.5 percent of your adjusted gross income,
- The distributions are not more than the cost of your medical insurance,
- You are a person with a disability,
- You are the beneficiary of a deceased SIMPLE 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, or
- The distribution is a qualified reservist distribution.

If you take a distribution within the two-year period from when you first participated in your employer's SIMPLE IRA plan and are not 59 ½ years old or meet one of these other exceptions, the amount of the additional tax you have to pay **increases from 10 to 25 percent**.

#### Two-year rule for rollovers from SIMPLE IRA

You may be able to transfer money from your SIMPLE IRA to another IRA in a tax-free rollover. However, during the two-year period beginning when you first participated in your employer's SIMPLE IRA plan, you can only transfer money tax-free to another SIMPLE IRA. Otherwise, the amount transferred is considered distributed to you and included in your gross income. Unless you are age 59 ½ or qualify for one of the other exceptions listed above, you will also have to pay an additional 25 percent tax on the transferred amount.

After the two-year period, you can make tax-free rollovers from SIMPLE IRAs to other types of IRAs (except Roth IRAs), or to 401(k), 403(b) or governmental 457(b) plans.

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#### **NOTE TO EDITOR:** *Below are helpful resources on retirement topics on IRS.gov.*

- [Publication 560, Retirement Plans for Small Business \(SEP, SIMPLE, and Qualified Plans\)](#) – includes information for SIMPLE IRA plan participants.
- [Publication 590, Individual Retirement Arrangements \(IRAs\)](#) – explains how to claim the saver's credit if you contribute to IRAs.
- [FAQs: SIMPLE IRA Plans](#) – provides answers on many questions, including on distributions and rollovers.
- [Publication 17, Your Federal Income Tax](#) – contains general rules for filing a federal income tax return.