

Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

Department of the Treasury Internal Revenue Service

Please see Recordkeeping Requirements on back. Attach to Form 1040, Form 1040A, or Form 1040NR.

Name (If married, file a separate Form 8606 for each spouse. See instructions.)

Your social security number

Fill In Your Address Only If You Are Not Filing a Tax Return

Present home address (number and street) (or P.O. Box number if mail is not delivered to street address)

City, town or post office, state, and ZIP code

Table with 16 rows for IRA calculations. Columns include description, sub-rows (a, b, c), and value on 12/31/88. Includes instructions for entering trustee names, contributions, and basis.

Sign Here Only If You Are Not Filing a 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.

Your signature

Date

General Instructions

Note: If you made a nondeductible contribution in 1987, do not fill out this form unless you meet one of the requirements under Who Must File.

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping . . . . . 26 minutes

Learning about the law or the form . . . . . 7 minutes

Preparing the form . . . . . 28 minutes

Copying, assembling, and sending the form to IRS . . . . . 20 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form.—You must use Form 8606 to report the amount of your IRA contributions that you choose to be nondeductible. You may wish to make nondeductible contributions, for example, if all or part of your contributions are not

deductible because of the income limitations for IRAs. First, figure the amount of your deductible contributions using the Instructions for Form 1040 or Form 1040A, whichever applies to you. Then enter on line 5 of Form 8606 the amount you choose to be nondeductible.

The part of any distributions you receive attributable to nondeductible contributions will not be taxable. If you made nondeductible contributions in 1987 or 1988, also use Form 8606 to figure the nontaxable portion of any IRA distributions you receive. If you received any distributions in 1988, line 15 will show the amount that is not taxable.

Who Must File.—You must file Form 8606 for 1988 if:

- You made nondeductible contributions to your IRA during 1988 for 1987 or 1988, or

- You made nondeductible contributions to your IRA during 1989 for 1988, or
- You received IRA distributions in 1988 and you made nondeductible contributions to your IRA.

If you and your spouse each choose to make nondeductible IRA contributions, you each must file a Form 8606.

Report your deductible contributions on Form 1040, Form 1040A, or Form 1040NR but not on Form 8606.

**When and Where To File.**—Attach Form 8606 to your 1988 Form 1040, Form 1040A, or Form 1040NR.

If you are required to complete Form 8606, but you do not have to file an income tax return because you do not meet the requirements for filing a return, you still have to file a Form 8606 with the Internal Revenue Service at the time and place you would normally be required to file Form 1040, Form 1040A, or Form 1040NR.

**Name and Social Security Number.**—

Enter your name and social security number on Form 8606.

**Note:** If you file a joint return on Form 1040 or Form 1040A, show the name and social security number of the spouse whose IRA information is shown.

**Recordkeeping Requirements.**—To be able to verify the nontaxable part of distributions from your IRA, keep a copy of this form together with copies of the following forms and records until all distributions are made from your IRA(s):

- Forms 1040 (or Forms 1040A or Forms 1040NR) filed for each year you make a nondeductible contribution;
- Forms 5498 or similar statements received each year showing contributions you made;
- Forms 5498 or similar statements you received showing the value of your IRA(s) for each year you received a distribution; and
- Forms 1099-R and W-2P received for each year you received a distribution.

**Additional Information.**—For more information on nondeductible contributions, get **Pub. 590**, Individual Retirement Arrangements (IRAs).

**Penalty for Overstatement.**—If you overstate your nondeductible contributions on this form for any tax year, you must pay a penalty of \$100 for each overstatement, unless it was due to reasonable cause.

## Specific Instructions

**Line 1.**—Separately list all of your IRAs and their values at the end of the year, regardless of whether you make deductible or nondeductible contributions to them. For married couples, each spouse must list his or her own IRA(s) on a separate Form 8606.

If you have more than three IRAs, list them on a separate attachment and follow the format of line 1. Include on line 2 the total value of all of your IRAs.

You should receive a statement by January 31, 1989, for each IRA account showing the value on December 31, 1988.

**Line 5—Covered by a Retirement Plan at Work.**—If you were covered by a retirement plan at work and used Worksheet 2 in the Instructions for

Form 1040 or Form 1040A, you should enter on line 5 of Form 8606 any nondeductible contributions shown on line 10 of the worksheet in the Form 1040 Instructions or line 8 of the Form 1040A Instructions. If you made any nondeductible contributions to an IRA for your nonworking spouse, you should complete a separate Form 8606 for your spouse and enter on line 5 of your spouse's Form 8606 any nondeductible contributions for your nonworking spouse from the appropriate lines of Worksheet 2.

If you were covered by a retirement plan at work but you used Worksheet 1 because your income was \$25,000 or less (\$40,000 or less if you are married filing a joint return or a qualifying widow(er)), follow the instructions below under "Not Covered by a Retirement Plan at Work."

You may also choose to treat any part of deductible contributions as nondeductible. To do this, include on line 5 of Form 8606 any deductible contributions that you are treating as nondeductible.

**Note:** You cannot take a deduction for any part of the deductible contributions you are treating as nondeductible.

If none of your contributions are deductible and you did not use Worksheet 1 or 2 in the Form 1040 or 1040A Instructions, you may still choose to make a nondeductible contribution up to a maximum of \$2,000 (but not more than your earned income). Enter the amount of your contributions that you are treating as nondeductible on line 5 of Form 8606.

If contributions were also made to an IRA for your nonworking spouse and none of the contributions are deductible, you may still make nondeductible contributions up to a maximum of \$2,250 (but not more than your earned income). Enter on line 5 of your Form 8606 the total nondeductible contributions that you are making to your IRA. Enter the balance on line 5 of your nonworking spouse's Form 8606. You cannot contribute more than \$2,000 to either your or your spouse's IRA. Also, the total of the two amounts cannot be more than \$2,250 and not more than your earned income.

**Not Covered by a Retirement Plan at Work.**—

If you were not covered by a retirement plan at work or were covered, but had income of \$25,000 or less (\$40,000 or less if married filing a joint return or a qualifying widow(er)), complete Worksheet 1 in the Instructions for Form 1040 or Form 1040A. The amount shown on line 3 of the worksheet is the amount of your contributions that you may deduct. However, you may choose to make all or part of that amount nondeductible. Enter on line 5 of your Form 8606 the difference between the amount you are deducting and the amount shown on line 3 of Worksheet 1.

If contributions were made to an IRA for your nonworking spouse, the amount shown on line 8 of Worksheet 1 is the amount of the allowable deduction for your nonworking spouse's IRA. However, you can treat all or part of that amount as nondeductible. Enter on line 5 of your nonworking spouse's Form 8606 the difference between the amount that is

deducted for your nonworking spouse and the amount on line 8 of Worksheet 1.

**Line 7.**—If you made contributions both in 1988 and 1989 that are for 1988, you may choose to apply the contributions made in 1988 first to nondeductible contributions and then to deductible contributions, or vice versa. However, you may not apply to nondeductible contributions more than the amount actually made in 1988.

For example, assume you make contributions of \$1,000 in 1988, and \$1,000 in 1989.

Assume further that \$1,500 of your contributions are deductible and \$500 are nondeductible. You choose \$500 of your contribution in 1988 to be nondeductible. In this case, the \$500 would be entered on line 5 instead of line 7 and would become part of your basis for 1988. Otherwise, the amount would be entered on line 7.

**Line 8.**—Although the 1988 IRA contributions you made during 1/1/89–4/17/89 (line 7) can be treated as nondeductible (for purposes of line 5), these amounts are not included in your basis for 1988. This is the reason you subtract the amount on line 7 from the amount on line 6. The amount on line 7 will be included in basis on your 1989 Form 8606.

**Line 9.**—Use this line if you wish to change a nondeductible contribution made on a prior year's return to a deductible contribution, or vice versa. For example, if you were eligible to deduct your IRA contributions for 1988 but you chose to treat them as nondeductible when you filed your 1988 tax return, you can at a later date change the designation to a deductible contribution by filing an amended tax return on **Form 1040X**, Amended U.S. Individual Income Tax Return, and show the change in designation on line 9 of Form 8606.

**Line 11.**—Enter the total value of all your IRAs as of 12/31/88 from line 2. Include any outstanding rollovers. A **rollover** is a tax-free distribution from one IRA which is then contributed to another IRA. The rollover contribution must be made within 60 days of receiving the distribution from the first IRA. An **outstanding rollover** is any amount distributed to you from one IRA within 60 days of the end of 1988 (between November 2 and December 31) that you did not roll over to another IRA by 12/31/88, but that you roll over to another IRA in 1989 within the normal 60-day rollover period.

**Line 12.**—Do not include any distributions that were: (1) received in 1988 that you rolled over to another IRA by 12/31/88; (2) outstanding rollovers included on line 11; (3) contributions under Internal Revenue Code section 408(d)(4) that were returned to you before the due date of the return; or (4) excess contributions made under Internal Revenue Code section 408(d)(5).

**Line 15.**—The amount shown on this line is your nontaxable IRA distribution for 1988. Subtract this amount from your total distributions shown on line 12. The difference is your taxable distributions to be reported on Form 1040, line 16b.

**Line 16.**—This is the basis in your IRA as of 12/31/88. This amount will be used on Form 8606 in future years if you make nondeductible IRA contributions or receive distributions in those years.