

# Nondeductible IRAs (Contributions, Distributions, and Basis)

▶ Please see **What Records Must I Keep?** on page 2.  
▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

Name. If married, file a separate Form 8606 for each spouse who is required to file Form 8606. See instructions.

Your social security number

**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

### Contributions, Nontaxable Distributions, and Basis

**1** Enter your IRA contributions for 1996 that you choose to be nondeductible. Include those made during 1/1/97-4/15/97 that were for 1996. See instructions . . . . .

**1**

**2** Enter your total IRA basis for 1995 and earlier years. See instructions . . . . .

**2**

**3** Add lines 1 and 2 . . . . .

**3**

**Did you receive any IRA distributions (withdrawals) in 1996?**  
No → Enter the amount from line 3 on line 12. Then, **stop** and read **When and Where To File** on page 2.  
Yes → Go to line 4.

**4** Enter only those contributions included on line 1 that were made during 1/1/97-4/15/97. This amount will be the same as line 1 if all of your nondeductible contributions for 1996 were made in 1997 by 4/15/97. See instructions . . . . .

**4**

**5** Subtract line 4 from line 3 . . . . .

**5**

**6** Enter the total value of **ALL** your IRAs as of 12/31/96 plus any outstanding rollovers. See instructions . . . . .

**6**

**7** Enter the total IRA distributions received during 1996. Do not include amounts rolled over before 1/1/97. See instructions . . . . .

**7**

**8** Add lines 6 and 7 . . . . .

**8**

**9** Divide line 5 by line 8 and enter the result as a decimal (to at least two places). Do not enter more than "1.00" . . . . .

**9**

×

.

**10** Multiply line 7 by line 9. This is the amount of your **nontaxable distributions for 1996** . . . . .

**10**

**11** Subtract line 10 from line 5. This is the **basis in your IRA(s) as of 12/31/96** . . . . .

**11**

**12** Add lines 4 and 11. This is your **total IRA basis for 1996 and earlier years** . . . . .

**12**

### Taxable Distributions for 1996

**13** Subtract line 10 from line 7. Enter the result here and on Form 1040, line 15b; Form 1040A, line 10b; or Form 1040NR, line 16b, whichever applies . . . . .

**13**

**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.

Your signature

Date

Section references are to the Internal Revenue Code.

### Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 26 min.; **Learning about the law or the form**, 7 min.; **Preparing the form**, 21 min.; and **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

### General Instructions

#### Purpose of Form

Use Form 8606 to report your IRA contributions that you choose to be nondeductible. For example, if you cannot deduct all of your contributions because of the income limits for IRAs, you may want to make nondeductible contributions.

Also use Form 8606 to figure the basis in your IRA(s) and the taxable part of any distributions you received in 1996 if you have ever made nondeductible contributions.

Your **basis** is the total of all your nondeductible IRA contributions minus the total of all nontaxable IRA distributions received. It is to your advantage to keep track of your basis because it is used to figure the nontaxable part of future distributions.

**Note:** To figure your deductible IRA contributions, see the Instructions for Form 1040, or Form 1040A, whichever applies.

#### Who Must File

You must file Form 8606 for 1996 if:

- You made nondeductible contributions to your IRA for 1996, **or**
- You received IRA distributions in 1996 **and** you have ever made nondeductible contributions to any of your IRAs.

## What Records Must I Keep?

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):

- Page 1 of Forms 1040 (or Forms 1040A, 1040NR, or 1040-T) 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 received showing the value of your IRA(s) for each year you received a distribution.
- Forms 1099-R and W-2P received for each year you received a distribution.

## When and Where To File

Attach Form 8606 to your 1996 Form 1040, 1040A, or 1040NR.

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. Send it to the Internal Revenue Service at the same time and place you would otherwise file Form 1040, 1040A, or 1040NR.

## Penalty for Not Filing

If you are required to file Form 8606 but do not do so, you will have to pay a \$50 penalty for each failure to file this form unless you can show reasonable cause.

## Penalty for Overstatement

If you overstate your nondeductible contributions for any tax year, you must pay a \$100 penalty for each overstatement unless it was due to reasonable cause.

## Additional Information

For more details on nondeductible contributions, IRA basis, and distributions, get **Pub. 590**, Individual Retirement Arrangements (IRAs).

## Amending Form 8606

After you file your return, you may change a nondeductible contribution made on a prior year's return to a deductible contribution or vice versa. To do this, complete a new Form 8606 showing the revised information and attach it to **Form 1040X**, Amended U.S. Individual Income Tax Return. Send both of these forms to the Internal Revenue Service Center for your area as shown in the Form 1040X instructions.

## Specific Instructions

**Note:** If you received an IRA distribution in 1996 and you also made IRA contributions for 1996 that may not be fully deductible because of the income limits, you need to make a special computation before completing this form. For details, including how to complete Form 8606, see **Tax Treatment of Distributions** in Chapter 6 of **Pub. 590**.

## Name and Social Security Number

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

### Line 1

If you used **IRA Worksheet 2 in the Form 1040 or Form 1040A instructions**, include the following on line 1 of Form 8606.

- The amount shown on line 10 of IRA Worksheet 2 (Form 1040) or line 8 of IRA Worksheet 2 (Form 1040A) that you choose to make nondeductible.
- The part, if any, of the amount shown on line 9 of IRA Worksheet 2 (Form 1040) or line 7 of IRA Worksheet 2 (Form 1040A) that you choose to make nondeductible. You cannot take a deduction for the part included on line 1.

**Note:** Enter any nondeductible contributions for your **nonworking spouse** from the appropriate lines of **IRA Worksheet 2 on line 1 of your spouse's separate Form 8606**.

If none of your contributions are deductible, you may choose to make nondeductible contributions up to \$2,000 (but not more than your earned income). Enter on line 1 of Form 8606 your contributions that you choose to make nondeductible.

If contributions were also made to your nonworking spouse's IRA, you may choose to make nondeductible contributions up to \$2,250 (but not more than your earned income). Enter on line 1 of your Form 8606 the total nondeductible contributions you are making to your IRA. Enter the balance on line 1 of your nonworking spouse's Form 8606. Do not enter more than \$2,000 on either your or your spouse's Form 8606. Also, the total of the two amounts cannot be more than \$2,250.

If you used **IRA Worksheet 1 in the Form 1040 or Form 1040A instructions** but choose not to deduct the full amount shown on line 3 of that worksheet, subtract the amount you are deducting from the amount on line 3. Enter the result on line 1 of your Form 8606.

If contributions were made to your nonworking spouse's IRA but you choose not to deduct the full amount shown on line 8 of IRA Worksheet 1, subtract the amount you are deducting for your nonworking spouse from the amount on line 8. Enter the result on line 1 of your nonworking spouse's Form 8606.

### Line 2

If this is the first year you are required to file Form 8606, enter zero. If you filed a **1995, 1994, or 1993** Form 8606, enter the amount from line 12 of the **last** Form 8606 you filed. If you did not file a 1995, 1994, or 1993 Form 8606 but you filed a Form 8606 for any other year after **1988**, enter the amount from line 14 of the **last** Form 8606 you filed. Otherwise, enter the total of the amounts from lines 7 and 16 of your **1988** Form 8606. Or, if you didn't file a 1988 Form 8606, enter the total of the amounts from lines 4 and 13 of your **1987** Form 8606.

## Line 4

If you made contributions in 1996 and 1997 that are for 1996, you may choose to apply the contributions made in 1996 first to nondeductible contributions and then to deductible contributions, or vice versa. But the amount on line 1 minus the amount on line 4 cannot be more than the IRA contributions you actually made in 1996.

**Example.** You made contributions of \$1,000 in 1996 and \$1,000 in 1997 of which \$1,500 are deductible and \$500 are nondeductible. You choose \$500 of your contribution in 1996 to be nondeductible. In this case, the \$500 would be entered on line 1, but not on line 4, and would become part of your basis for 1996.

### Line 5

Although the 1996 IRA contributions you made during 1/1/97–4/15/97 (line 4) can be treated as nondeductible for purposes of line 1, they are not included in your basis for purposes of figuring the nontaxable part of any distributions you received in 1996. This is why you subtract line 4 from line 3.

### Line 6

Enter the total value of **ALL** your IRAs as of 12/31/96 **plus** any outstanding rollovers. You should receive a statement by 1/31/97 for each IRA account showing the value on 12/31/96. A **rollover** is a tax-free distribution from one IRA that is contributed to another IRA. The rollover must be completed 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 1996 (between Nov. 2 and Dec. 31) that you did not roll over to another IRA by 12/31/96, but that you roll over to another IRA in 1997 within the normal 60-day rollover period.

### Line 7

Do not include on line 7:

- Distributions received in 1996 and rolled over to another IRA by 12/31/96,
- Outstanding rollovers included on line 6,
- Contributions under section 408(d)(4) returned to you on or before the due date of the return, or
- Excess contributions under section 408(d)(5) returned to you after the due date of the return.

### Line 11

This is the total of your nondeductible IRA contributions made in 1996 and earlier years minus the total of any nontaxable IRA distributions received in those years.

### Line 12

This is the total of your IRA basis as of 12/31/96 and any nondeductible IRA contributions for 1996 that you made in 1997 by 4/15/97.

This amount will be used on Form 8606 in future years if you make nondeductible IRA contributions or receive distributions.

