



Instructions for Form 1098-Q

Qualifying Longevity Annuity Contract Information

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1098-Q and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1098q.

What's New

New Form 1098-Q and Instructions for Form 1098-Q.

Form 1098-Q, Qualifying Longevity Annuity Contract Information, and its separate instructions, implement new reporting requirements under Treasury Decision (TD) 9673. Additionally, TD 9673 provides guidance necessary for compliance with the required minimum distribution rules under section 401(a)(9).

Reminder

In addition to these specific instructions, you should also use the 2014 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Who must file (nominee/middleman).
- When and where to file.
- Electronic reporting requirements.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers.
- Backup withholding.
- Penalties.
- Other general topics.

You can get the general instructions at www.irs.gov/form1098q or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions

File Form 1098-Q, Qualifying Longevity Annuity Contract Information, if you issue any contract that is intended to be a qualifying longevity annuity contract (QLAC). Prior to annuitization, the value of a QLAC is excluded from the account balance that is used to determine required minimum distributions. A QLAC is an annuity contract that is purchased from an insurance company for an employee under any plan, annuity, or account described in section 401(a), 403(a), 403(b), or 408 (other than a Roth IRA) or eligible governmental plan under section 457(b), and that, in accordance with the rules of application of paragraph (d) of Regulations section 1.401(a)(9)-6, Q&A-17 (Q&A-17), satisfies each of the following requirements.

- Premiums for the contract satisfy the requirements of paragraph (b) of Q&A-17.
- The contract provides that distributions under the contract must commence no later than a specified annuity starting date that is no later than the first day of the month after the employee's 85th birthday.

- The contract provides that, after distributions under the contract begin, those distributions must satisfy the requirements of 1.401(a)(9)-6 (other than the requirement that annuity payments commence on or before the required beginning date).
- The contract does not make available any commutation benefit, cash surrender right, or other similar feature.
- No benefits are provided under the contract after the death of the employee other than the benefits described in Q&A-17(c).
- When the contract is issued, the contract (or a rider or endorsement with respect to that contract) states that the contract is intended to be a QLAC.
- The contract is not a variable contract under section 817, an indexed contract, or similar contract, except to the extent provided by the Commissioner.

An employee includes the owner of an IRA (other than a Roth IRA), where applicable.

Limitations on Premiums — Plans

The premiums paid with respect to the contract on a date satisfy the limitations requirements if they do not exceed the lesser of the dollar limitation of Q&A-17(b)(2) or the percentage limitation of Q&A-17(b)(3).

Dollar limitation. The dollar limitation is an amount equal to the excess of \$125,000 over the sum of (1) the premiums paid on the contract before that date and (2) the premiums paid on or before that date on any other contract intended to be a QLAC and that is purchased for the employee under the plan, or any other plan, annuity, or account described in section 401(a), 403(a), 403(b), or 408 or eligible governmental plan under section 457(b).

Percentage limitation. The percentage limitation is an amount equal to the excess of 25% of the employee's account balance under the plan (including the value of any QLAC held under the plan for the employee) as of that date over the sum of (1) the premiums paid before that date on the contract, and (2) the premiums paid on or before that date on any other contract intended to be a QLAC and that is held or was purchased for the employee under the plan.

For purposes of the dollar and percentage limitations on premiums, unless the plan administrator has actual knowledge to the contrary, the plan administrator may rely on an employee's representation, made in writing or such other form as may be prescribed by the Commissioner, of the amount of the premiums paid for any other contract intended to be a QLAC, but only with respect to premiums that are not paid under a plan, annuity, or contract that is maintained by the employer or an entity that is treated as a single employer with the employer under section 414(b), (c), (m), or (o).

For purposes of the 25% limit, an employee's account balance on the date on which premiums for a contract are paid is the account balance as of the last valuation date preceding the date of the premium payment, adjusted as follows.

- The account balance is increased for contributions allocated to the account during the period that begins after the valuation date and ends before the date the premium is paid.
- The account balance is decreased for distributions made from the account during that same period.

Limitations on Premiums — IRAs

The premiums paid with respect to the contract on a date satisfy the limitations requirements if they do not exceed the lesser of the dollar limitation of 1.408-8, Q&A-12(b)(2) or the percentage limitation of 1.408-8, Q&A-12(b)(3).

Dollar limitation. The dollar limitation is an amount equal to the excess of \$125,000 over the sum of (1) the premiums paid on the contract before that date and (2) the premiums paid on or before that date on any other contract intended to be a QLAC and that is purchased for the IRA owner under the IRA, or any other plan, annuity, or account described in section 401(a), 403(a), 403(b), or 408 or eligible governmental plan under section 457(b).

Percentage limitation. The percentage limitation is an amount equal to the excess of 25% of the total account balances of the IRAs (other than Roth IRAs) that an individual holds as the IRA owner (including the value of any QLACs held under those IRAs) as of December 31 of the calendar year immediately preceding the calendar year in which a premium is paid over the sum of (1) the premiums paid before that date on the contract, and (2) the premiums paid on or before that date on any other contract intended to be a QLAC and that is held or was purchased for the individual under those IRAs.

For the purposes of the dollar and percentage limitations on premiums, unless the trustee, custodian, or issuer of an IRA has actual knowledge to the contrary, the trustee, custodian, or issuer may rely on the IRA owner's representation, made in writing or in such other form as may be prescribed by the Commissioner, of the amount of premiums paid for any other contract intended to be a QLAC and that are not paid under the IRA, and the account balance of any other IRA.

Consequences of Excess Premiums

If an annuity contract fails to be a QLAC solely because a premium for a contract exceeds the limits under paragraph (b) of Q&A-17, then the contract is not a QLAC beginning on the date that premium payment is made unless the excess premium is returned to the non-QLAC portion of the employee's account in accordance with paragraph (d)(1)(ii) (B) of Q&A-17. If the contract fails to be a QLAC, then the value of the contract may not be disregarded under A-3(d) of Regulations section 1.401(a)(9)-5 as of the date on which the contract ceases to be a QLAC.

If the excess premium is returned to the non-QLAC portion of the employee's account by the end of the calendar year following the calendar year in which the excess premium was originally paid, then the contract will not be treated as exceeding the limits under paragraph (b) of Q&A-17 at any time, and the value of the contract will not be included in the employee's account balance under A-3(d) of Regulations section 1.401(a)(9)-5.

If the excess premium is returned to the non-QLAC portion of the employee's account after the last valuation date for the calendar year in which the excess premium was originally

paid, then the employee's account balance for that calendar year must be increased to reflect the excess premium in the same manner as an employee's account balance is increased under Regulations section 1.401(a)(9)-7, A-2 to reflect a rollover received after the last valuation date.

If the excess premium is returned to the non-QLAC portion of the employee's account as described above, it will not be treated as a violation of the requirement that the contract not provide a commutation benefit.

Death of Employee

Surviving spouse is the sole beneficiary. If the employee dies on or after the annuity starting date for the contract, the only benefit allowed to be paid (except as provided in paragraph (c)(4) of Q&A-17) after the employee's death is a life annuity payable to the surviving spouse where the annuity payment is not in excess of 100% of the annuity payment that is payable to the employee.

If the employee dies before the annuity starting date, the only benefit allowed (except as provided in paragraph (c)(4) of Q&A-17) is a life annuity payable to the surviving spouse where the annuity payment is not in excess of 100% of the annuity payment that would have been payable to the employee as of the date that benefits to the surviving spouse start. However, the annuity is permitted to exceed 100% of the annuity payment that would have been payable to the employee to the extent necessary to satisfy the requirement to provide a qualified preretirement survivor annuity (as defined under section 417(c)(2) or ERISA section 205(e)(2)) pursuant to section 401(a)(11)(A)(ii) or ERISA section 205(a)(2).

Any annuity payable to the surviving spouse of an employee who dies before the annuity starting date must start no later than the date on which the annuity payable to the employee would have started under the contract if the employee had not died.

Surviving spouse is not the sole beneficiary. In this situation, the only benefit allowed (except as provided in paragraph (c)(4) of Q&A-17) after death is a life annuity payable to the designated beneficiary where the annuity payment is not in excess of the applicable percentage (determined under (c)(2)(iii) of Q&A-17) of the annuity payment that is payable (if the employee dies on or after the annuity starting date for the contract) or would have been payable (if the employee dies before the annuity starting date) to the employee. For more information on the applicable percentage, see Regulations section 1.401(a)(9)-6, Q&A-17(c)(2)(iii).

When the employee dies before the annuity starting date, any life annuity payable to a designated beneficiary (other than a surviving spouse) must commence by the last day of the calendar year immediately following the year of the employee's death.

Multiple beneficiaries. If an employee has more than one designated beneficiary under a QLAC, the rules in A-2(a) of Regulations section 1.401(a)(9)-8 apply for purposes of paragraphs (c)(1) and (c)(2) of Q&A-17.

Return of Premiums

In general, in lieu of a life annuity payable to a designated beneficiary under paragraph (c)(1) or (c)(2) of Q&A-17, a QLAC is permitted to provide for a benefit paid to a beneficiary after the death of the employee in an amount

equal to the excess of the premium payments made with respect to the QLAC over the payments already made under the QLAC.

If a QLAC is providing or will provide a life annuity to a surviving spouse under paragraph (c)(1) of Q&A-17, it is also permitted to provide for a benefit paid to a beneficiary after the death of both the employee and the spouse in an amount equal to the excess of the premium payments made with respect to the QLAC over the payments already made under the QLAC.

A return of premium payment under paragraph (c)(4) of Q&A-17 must be paid no later than the end of the calendar year following the calendar year in which the employee dies. If the employee's death is after the required beginning date, the return of premium payment is treated as a required minimum distribution (RMD) for the year in which it is paid and is not eligible for rollover. See the Instructions for Forms 1099-R and 5498 for further information regarding rollovers and RMDs.

If the return of premium payment is paid after the death of a surviving spouse who is receiving a life annuity (or after the death of a surviving spouse who has not yet begun receiving a life annuity after the death of the employee), the return of premium payment must be made no later than the end of the calendar year following the calendar year in which the surviving spouse dies. If the surviving spouse's death is after the required beginning date for the surviving spouse, then the return of premium payment is treated as a RMD for the year in which it is paid and is not eligible for rollover.

Who Must File

Any person who issues a contract intended to be a QLAC that is purchased or held under any plan, annuity, or account described in section 401(a), 403(a), 403(b), 408 (other than a Roth IRA) or eligible governmental plan under section 457(b), must file Form 1098-Q.

Furnishing Statements to Participants

If you are required to file Form 1098-Q, you must furnish a statement to the participant annually. For more information about the requirement to furnish a statement to each participant, see part M in the 2014 General Instructions for Certain Information Returns.

Truncating participant's identification number on payee statements. Pursuant to Treasury Regulations section 301.6109-4, all filers of this form may truncate a participant's identification number (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A filer's identification number may not be truncated on any form. See part M in the 2014 General Instructions for Certain Information Returns.

Manner and time for filing. You must file Form 1098-Q with the IRS and furnish a statement to the individual in whose name the contract has been purchased for each

calendar year beginning with the year in which the premiums for a contract are first paid and ending with the earlier of the year in which the individual in whose name the contract has been purchased reaches age 85 or dies. If the individual dies and the sole beneficiary under the contract is the individual's spouse (in which case the spouse's annuity would not be required to commence until the individual would have commenced benefits under the contract had the individual survived), you must file Form 1098-Q and provide a statement annually to the spouse until the year in which the distributions to the spouse begin or the year in which the spouse dies, if earlier.

Issuer's Name, Address, Telephone Number, and Federal Identification Number Boxes

Enter the name, address (including street address, city or town, state or province, country, and ZIP or foreign postal code), and telephone number of the entity with the filing requirement (issuer) in the box in the upper left corner. The telephone number must allow a participant to reach a person knowledgeable about the information reported on the form.

Name of Plan, Plan Number, and Employer Identification Number

If the contract was purchased under a plan, enter the name of the plan, the plan number, and the employer identification number of the plan sponsor.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1098-Q. Additionally, the IRS encourages you to designate an account number for all Forms 1098-Q that you file. See part L in the 2014 General Instructions for Certain Information Returns.

Box 1a. Annuity Amount on Start Date

If the payments have not yet started, enter the amount of the periodic annuity payable on the start date.

Box 1b. Annuity Start Date

If the payments have not yet started, enter the annuity starting date on which the annuity is scheduled to start.

Box 2. Check if Start Date May Be Accelerated

Check the box if payments have not yet started and the start date may be accelerated.

Box 3. Total Premiums

Enter the cumulative total amount of all premiums paid for the contract through the end of the calendar year.

Box 4. FMV of QLAC

Enter the fair market value (FMV) of the QLAC as of the close of the calendar year.

Boxes 5g Through 5l

Enter the amount of each premium paid for the contract and the date of the premium payment.