Instructions for Forms 1099-R and 5498

What's New for 2004

Form 1099-R
Distribution codes. The explanations to distribution Codes 1, 2, J, and T have been modified. See Guide to Distribution Codes on pages R-9 and R-10.

An Item To Note
In addition, see the 2004 General Instructions for Forms 1099, 1066, 5498, and W-2G for information on:

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

You can get the general instructions from the IRS website at www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-R
File Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's, Insurance Contracts, etc., for each person to whom you have made a designated distribution of $10 or more from profit-sharing or retirement plans, any IRAs, annuities, pensions, insurance contracts, survivor income benefit plans, permanent and total disability payments under life insurance contracts, charitable gift annuities, etc.

Also, report on Form 1099-R death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan. See box 1 on page R-5.

Reportable disability payments made from a retirement plan must be reported on Form 1099-R.

Generally, do not report payments subject to withholding of social security and Medicare taxes on this form. Report such payments on Form W-2, Wage and Tax Statement.

Do not report amounts totally exempt from tax, such as workers' compensation and Department of Veterans Affairs (VA) payments. However, if part of the distribution is taxable and part is nontaxable, report the entire distribution.

Military retirement annuities. Report payments to military retirees or payments of survivor benefit annuities on Form 1099-R. Report military retirement pay awarded as a property settlement to a former spouse under the name and taxpayer identification number (TIN) of the recipient, not that of the military retiree.

Governmental section 457(b) plans. Report on Form 1099-R, not Form W-2, income tax withholding and distributions from a governmental section 457(b) plan maintained by a state or local government employer. Distributions from a governmental section 457(b) plan to a participant or beneficiary include all amounts that are paid from the plan. See Notice 2003-30, 2003-19.I.R.B. 894, 2003-1.C.B. 894, for more information. Also see, Section 457(b) plan distributions on page R-8 for information on distribution codes.

Nonqualified plans. Report any reportable distributions from commercial annuities. Report distributions to plan participants from nonqualified deferred compensation plans including nongovernmental plan section 457(b) plans on Form W-2, not on Form 1099-R. However, report distributions to beneficiaries of deceased employees on Form 1099-R. See box 1 on page R-5.

Charitable gift annuities. If cash or capital gain property is donated in exchange for a charitable gift annuity, report distributions from the annuity on Form 1099-R. See Charitable gift annuities on page R-6.

Life insurance, annuity, and endowment contracts. Report payments of matured or redeemed annuity, endowment, and life insurance contracts. However, you do not need to file Form 1099-R to report the surrender of a life insurance contract if it is reasonable to believe that none of the payment is includible in the income of the recipient. If you are reporting the surrender of a life insurance contract, see Code 7 on page R-9.

Also report premiums paid by a trustee or custodian for the cost of current life or other insurance protection. Costs of current life insurance protection are not subject to the 10% additional tax under section 72(t). See Cost of current life insurance protection on page R-6.

Section 1035 exchange. A tax-free section 1035 exchange is the exchange of (a) a life insurance contract for another life insurance, endowment, or annuity contract, (b) an endowment contract for an annuity contract or for another endowment contract that provides for regular payments to begin no later than they would have begun under the old contract, and (c) an annuity contract for another annuity contract. However, the distribution of other property or the cancellation of a contract loan at the time of the exchange may be taxable and reportable on a separate Form 1099-R.

These exchanges of contracts are generally reportable on Form 1099-R. However, reporting on Form 1099-R is not required if (a) the exchange occurs within the same company, (b) the exchange is solely a contract for contract exchange, as defined above, that does not result in a distributed designation, and (c) the company maintains adequate records of the policyholder’s basis in the contracts. For example, a life insurance contract issued by Company X received in exchange solely for another life insurance contract previously issued by Company X does not have to be reported on Form 1099-R as long as the company maintains the required records. See Rev. Proc. 92-26, 1992-1.C.B. 744.

For more information on reporting taxable exchanges, see box 1 on page R-5.

IRA Distributions

For deemed IRAs under section 408(q), use the rules below for traditional IRAs or Roth IRAs as applicable.

IRAs other than Roth IRAs. Distributions from any individual retirement arrangement (IRA), except a Roth IRA, must be reported in boxes 1 and 2a regardless of the amount. You may check the "Taxable amount not determined" box in box 2b. But see the instructions for box 2a on page R-8 for how to report the withdrawal of IRA contributions under section 408(d)(4),

2004
Also see Transfers on page R-3 for information on trustee-to-trustee transfers, including recharacterizations. The direct rollover provisions on this page do not apply to distributions from any IRA. However, taxable distributions from traditional IRAs and SEP IRAs may be rolled over into an eligible retirement plan. See section 408(d)(3). SIMPLE IRAs may also be rolled over into an eligible retirement plan, but only after the 2-year period described in section 72(t)(6).

An IRA includes all investments under one IRA plan or account. File only one Form 1099-R for distributions from any investments under one plan that are paid in 1 year to one recipient, unless you must enter different codes in box 7. You do not have to file a separate Form 1099-R for each distribution under the plan.

Roth IRAs. For distributions from a Roth IRA, report the gross distribution in box 1 but generally leave box 2a blank. Check the "Taxable later is rollover, and distribution is made to the taxpayer, enter the gross distribution in box 1. If no earnings are distributed, enter 0 (zero) in box 2a and Code 8 in box 7 for a traditional IRA and Code 7 in box 7 for a Roth IRA. If earnings are distributed, enter the amount of earnings in box 2a. For a traditional IRA, enter Code 1 in box 7; for a Roth IRA, enter Code 2 in box 7. These earnings could be subject to the 10% early distribution tax under section 72(t)." If a rollover contribution is made to a Roth IRA that later is revoked, and distribution is made to the taxpayer, enter the gross distribution in box 1 and a 0 (zero) in box 2a and Code 8 in box 7 for a traditional IRA and Code 7 in box 7 for a Roth IRA. If earnings are distributed, enter the amount of the earnings in box 2a and Code 8 in box 7. These earnings could be subject to the 10% early distribution tax under section 72(t).

If an employer SEP (simplified employee pension) IRA or SIMPLE (savings incentive match plan for employees) IRA plan contribution is made and the SEP IRA or SIMPLE IRA is revoked by the employee, report the distribution as fully taxable. For more information on IRAs that have been revoked, see Rev. Proc. 91-70, 1991-2 C.B. 899.

Deductible Voluntary Employee Contributions (DECs) If you are reporting a total distribution from a plan that includes a distribution of DECs, file two Forms 1099-R—one to report the distribution of DECs, the other to report the distribution from the other part of the plan. Report the distribution of DECs in boxes 1 and 2a on the separate Form 1099-R. However, for the direct rollover (explained below) of funds that include DECs, file only one Form 1099-R to report the direct rollover of the entire amount.

Direct Rollovers You must report a direct rollover of an eligible rollover distribution. A direct rollover is the direct payment of the distribution from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to a traditional IRA or other eligible retirement plan. A direct rollover may be made for the employee, for the employee’s surviving spouse, for or the spouse or former spouse who is an alternate payee under a qualified domestic relations order (QDRO). If the distribution is paid to the surviving spouse, the distribution is treated in the same manner as if the spouse were the employee.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the employee (including net unrealized appreciation (NUA)) from a qualified plan (including a governmental section 457(b) plan) or a tax-sheltered annuity except:

1. One of a series of substantially equal periodic payments made at least annually over:
   a. The life of the employee or the joint lives of the employee and the employee’s designated beneficiary.
   b. The life expectancy of the employee or the joint life and last survivor expectancy of the employee and the employee’s designated beneficiary.
   c. A specified period of 10 years or more.
   2. A required minimum distribution (under section 401(a)(9)). A plan administrator is permitted to assume there is no designated beneficiary for purposes of determining the minimum distribution.
   3. Elective deferrals (under section 402(g)(3)) and earnings returned because of the section 415 limits.
   4. Corrective distributions of excess deferrals (under section 402(g)(2)) and earnings.
   5. Corrective distributions of excess contributions under a qualified cash or deferred arrangement (under section 401(k)) and excess aggregate contributions (under section 401(m)) and earnings.
   6. Loans treated as distributions (under section 72(t)). For distributions that are loan offset amounts can be eligible rollover distributions. See Regulations section 1.402(c)-2, Q-A-9.
   7. Section 404(k) dividends.
   8. Cost of current life insurance protection.
   9. Distributions to a payee other than the employee, the employee’s surviving spouse, or a spouse or former spouse who is an alternate payee under a QDRO.
   10. Any hardship distribution.

Amounts paid under an annuity contract purchased for and distributed to a participant under a qualified plan can qualify as eligible rollover distributions. See Regulations section 1.402(c)-2, Q-A-10.

Any part of an eligible rollover distribution that is not a direct rollover is subject to 20% income tax withholding. See Box 4 on page R-7.

Reporting a direct rollover. Report a direct rollover in box 1 and a 0 (zero) in box 2a. You do not have to report capital gain in box 3 or NUA in box 6. Enter Code G in box 7. Prepare the form using the name and social security number (SSN) of the person for whose benefit the funds were rolled over (generally the participant), not those of the trustee of the traditional IRA or other plan to which the funds were rolled.

Also, use Code G with Code 4 for a surviving spouse who elects a direct rollover to an IRA or a qualified plan. Prepare the form using the name and SSN of the surviving spouse.

If you receive a direct rollover to an IRA, you must prepare Form 5498. If you receive a direct rollover to a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity, no report is required.
Check the IRA/SEP/SIMPLE checkbox. For more information, see Notice 2000-30, 2000-1 C.B. 1266.

**Roth IRA conversions.** A Roth IRA conversion is not considered a trustee-to-trustee transfer. You must report a Roth IRA conversion or reclassification as a distribution. Therefore, for an IRA that is converted to a Roth IRA, even with the same trustee, you must report the amount converted in boxes 1 and 2a. Use Code 2 or 7 in box 7 depending on the participant’s age.

**SIMPLE IRAs.** Do not report a trustee-to-trustee transfer from one SIMPLE IRA to another SIMPLE IRA. However, you must report as a taxable distribution in boxes 1 and 2a a trustee-to-trustee transfer from a SIMPLE IRA to an IRA that is not a SIMPLE IRA during the 2-year period beginning on the day contributions are first deposited in the individual’s SIMPLE IRA by the employer. Use Code 5 in box 7 if appropriate.

**Section 1035 exchange.** You may have to report exchanges of insurance contracts, including an exchange under section 1035, under which any designated distribution may be made. For a section 1035 exchange that is in part taxable, file a separate Form 1099-R to report the taxable amount. See Section 1035 exchange on page R-1.

**Transfer of an IRA to spouse.** If you transfer an interest in an IRA from one spouse to another spouse under a divorce or separation instrument, the transfer is tax free. Do not report such a transfer on Form 1099-R.

**Corrective Distributions.** You must report on Form 1099-R corrective distributions of excess deferrals, excess contributions and excess aggregate contributions under section 401(a) plans, section 401(k) cash or deferred arrangements, section 403(a) annuity plans, section 403(b) salary reduction agreements, and salary reduction simplified employee pensions (SARSEPs) under section 408(k)(1)(B). Excess contributions that are recharacterized under a section 401(k) plan are treated as distributed. Corrective distributions of an excess plus earnings are reportable on Form 1099-R for the year of the distribution regardless of when the distribution is taxable to the participant. Enter Code 8, P, or in some cases D, in box 7 to designate the distribution and the year it is taxable.

**Excess deferrals** can occur in 401(k) plans, 403(b) plans, or SARSEPs. If distributed by April 15 of the year following the year of deferral, the excess is taxable to the participant in the year of deferral, but the earnings are taxable in the year the distribution occurred. For a SARSEP, excess deferrals not withdrawn by April 15 are considered regular IRA contributions subject to the IRA contribution limits. Corrective distributions of excess deferrals are not subject to Federal income tax withholding or social security and Medicare taxes. For losses on excess deferrals, see Losses on page R-4. See the regulations under section 457 for special rules for excess deferrals under governmental section 457(b) plans.

**Excess contributions.** Excess contributions can occur in a 401(k) plan or a SARSEP. For a 401(k) plan, if the withdrawal...
of the excess plus earnings occurs within 2 1/2 months after the close of the plan year, the excess and earnings are taxable to the participant in the year deferred. But if the corrective distribution is made after the 2 1/2-month period, or the excess contribution (not including earnings) (and excess aggregate contributions) (and excess aggregate contributions + earnings) (and excess aggregate contributions + earnings + this plan) is less than $100 (de minimis rule), the excess and earnings are taxable in the year distributed. For recharacterized excess deferrals, the excess is taxable for the corrective distribution would have occurred. No earnings are allocated to recharacterized amounts. For a SARSEP, the employer must notify the participant by March 15 of the year after the year of notification is withdrawn by April 15 of the year after the year of notification is withdrawn. An excess contribution not withdrawn by April 15 of the year after the year of notification is considered a regular IRA contribution subject to the IRA contribution limits.

Excess contributions distributed within the 2 1/2-month period are not subject to Federal income tax withholding or social security and Medicare taxes. But amounts distributed from a 401(k) plan after the 2 1/2-month period are subject to Federal income tax withholding under section 3405.

Excess aggregate contributions. Excess aggregate contributions under section 401(m) can occur in 401(a), 401(k), 403(a), and 403(b) plans. A corrective distribution of excess aggregate contributions plus earnings within 2 1/2 months after the close of the plan year is taxable to the participant in the year the contributions were made. A corrective distribution made after the 2 1/2-month period is taxable in the year distributed. Report the gross distribution in box 1 of Form 1099-R. In box 2a, enter the excess and earnings distributed less any after-tax contributions. If the total excess contributions and excess aggregate contributions distributed are less than $100 (excluding earnings), the distribution is taxable in the year of distribution.

A distribution made within 2 1/2 months after the close of the plan year is not subject to Federal income tax withholding or social security and Medicare taxes. But amounts distributed after 2 1/2 months are subject to Federal income tax withholding under section 3405.

Losses. If a corrective distribution of an excess deferral is made within 2 1/2 months after the year of deferral and a loss has been allocated to the excess deferral, report the corrective distribution amount in boxes 1 and 2a of Form 1099-R for the year of the distribution with the appropriate distribution code in box 7. However, taxpayers must include the total amount of the excess deferral (unadjusted for loss) in income in the year of deferral, and they may report a loss on the tax return for the year the corrective distribution is made. Therefore, if there are no employer securities distributed, show the actual cash and/or FMV of property distributed in boxes 1 and 2a, and make no entry in box 5. If only employer securities are distributed, show the FMV of the securities in boxes 1 and 2a and make no entry in box 5 or 6. If both employer securities and other property are distributed, show the actual cash and/or FMV of the property distributed in box 1, the gross less any NUA on employer securities in box 2a, no entry in box 5, and any NUA in box 6.

Excess Annual Additions Under Section 415

You must report on Form 1099-R distributions made under Regulations section 1.415-6(b)(6)(iv) of elective deferrals or a return of employee contributions (and gains attributable to such elective deferrals or employee contributions) to reduce excess annual additions arising from the allocation of forfeitures, a reasonable error in estimating a participant’s compensation, or a reasonable error in determining the amount of elective deferrals, may be made for an individual under the limits of section 415.

Such distributions are not eligible rollover distributions although they are subject to Federal income tax withholding under section 3405. They are not subject to social security, Medicare, or Federal Unemployment Tax Act (FUTA) taxes. In addition, such distributions are not subject to the 10% early distribution tax under section 72(t).

You may report the distribution of elective deferrals and employee contributions (and gains attributable to such elective deferrals and employee contributions) on the same Form 1099-R. However, if you made other distributions during the year, report them on a separate Form 1099-R. Because the distribution of elective deferrals is fully taxable in the year distributed (no part of the distribution is a return of the investment in the contract), report the total amount of the distribution in boxes 1 and 2a. Leave box 5 blank, and enter Code E in box 7. For a return of employee contributions plus gains, enter the gross distribution in box 1, the gains attributable to the employee contributions being returned in box 2a, and the employee contributions being returned in box 5. Enter Code E in box 7. For more information, see Rev. Proc. 92-93, 1992-2 C.B. 505.

Certain Excess Amounts Under 403(b) Plans

A corrective distribution under the Employee Plans Compliance Resolution System to the participant of contributions to a 403(b) plan (plus gains attributable to such contributions) that were in excess of the limits under section 415 or section 403(b)(2) (the exclusion allowance limit) is treated the same as corrective distributions of elective deferrals to satisfy the limits under section 415. It is taxable to the participant in the year of distribution. See Excess Annual Additions Under Section 415 above.

Failing the ADP or ACP Test After a Total Distribution

If you make a total distribution in 2004 and file a Form 1099-R with the IRS and then discover in 2005 that the plan failed either the section 401(k)(3) actual deferral percentage (ADP) test for 2004 and you compute excess contributions or the section 401(m)(2) actual contribution percentage (ACP) test and you compute excess aggregate contributions, you must recharacterize part of the total distribution as excess contributions or excess aggregate contributions. First, file a CORRECTED Form 1099-R for 2004 for the correct amount of the total distribution (not including the amount recharacterized as excess contributions or excess aggregate contributions). Second, file a new Form 1099-R for 2004 for the excess contributions or excess aggregate contributions and allocable earnings.

To avoid a late filing penalty if the new Form 1099-R is filed after the due date, enter in the bottom margin of Form 1099, Annual Summary and Transmittal of U.S. Information Returns, the words “Filed To Correct Excess Contributions.”

You must also issue copies of the Forms 1099-R to the plan participant with an explanation of why these new forms are being issued.

Loans Treated as Distributions

A loan from a qualified plan under sections 401 and 403(a) and (b), and a plan maintained by the United States, a state or political subdivision, or any of its subsidiary agencies made to a participant or beneficiary is not treated as a distribution from the plan if the loan satisfies the following requirements:

1. The loan is evidenced by an enforceable agreement.
2. The agreement specifies that the loan must be repaid within 5 years, except for a principal residence.
3. The loan must be repaid in substantially level installments (at least quarterly), and
4. The loan amount does not exceed the limits in section 72(p)(2)(A) (maximum limit is equal to the lesser of 50% of the vested account balance or $50,000).

Certain exceptions, cure periods, and suspension of the repayment schedule may apply.

The loan agreement must specify the amount of the loan, the term of the loan, and the repayment schedule. The agreement may include more than one document.
If a loan fails to satisfy 1, 2, or 3, the balance of the loan is a deemed distribution. The distribution may occur at the time the loan is made or later if the loan is not repaid in accordance with the repayment schedule.

If a loan fails to satisfy 4 at the time the loan is made, the amount that exceeds the amount permitted to be loaned is a deemed distribution.

Deemed distribution. If a loan is treated as a deemed distribution, it is reportable on Form 1099-R using the normal tax basis rules of section 72, including tax basis rules. The distribution also may be subject to the 10% early distribution tax under section 72(t). It is not eligible to be rolled over to an eligible retirement plan nor is it eligible for the 10-year tax option. On Form 1099-R, complete the appropriate boxes, including boxes 1 and 2a, and enter Code L in box 7. Also, enter Code 1, if applicable.

Interest that accrues after the deemed distribution of a loan is not an additional loan, and, therefore, is not reportable on Form 1099-R.

Loans that are treated as deemed distributions or that are actual distributions are subject to Federal income tax withholding. If a distribution occurs after the loan is made, you must withhold only if you distributed cash or property (other than employer securities) at the time of the deemed or actual distribution. See section 72(p), 72(e)(4)(A), and Regulations section 1.72(p)-1.

Subsequent repayments. If a participant makes any cash repayment on a loan that was reported on Form 1099-R as a deemed distribution, the repayments increase the participant’s tax basis in the plan as if the repayments were after-tax contributions. However, such repayments are not treated as after-tax contributions for purposes of section 401(m) or 415(c)(2)(B).

Deemed distribution. The distribution may occur at the time the Form 1099-R, and enter the percentage in box 9a, if applicable. The IRS administers a letter-forwarding program that could help distribute distributions, including a recharacterization and a Roth IRA rollover, to the participant. Also include in this box distributions to plan participants from governmental section 457(b) plans. However, in the case of a distribution by a trust representingCdS redeemed early, report the net amount distributed. Also, see Box 6 on page R-8.

Do not enter a negative amount in any box on Form 1099-R.

Box 1. Gross Distribution
Enter the total amount of the distribution before income tax or other deductions were withheld. Include direct rollovers, IRA rollovers to accepting employer plans, premiums paid by a trust or custodian for the cost of current life or other insurance protection, and the gross amount of any IRA distribution, including a recharacterization and a Roth IRA conversion. Also include in this box distributions to plan participants from governmental section 457(b) plans. However, in the case of a distribution by a trust representingCdS redeemed early, report the net amount distributed. Also, see Box 6 on page R-8.

Include in this box the value of U.S. Savings Bonds distributed from a plan. Enter the appropriate taxable amount in box 2a. Furnish a statement to the plan participant showing the value of each bond at the time of distribution. This will provide the IRS office with the information necessary to figure the interest income on each bond when it is redeemed.

Box 2. Gross Distribution
Include in box 2 amounts distributed from a qualified retirement plan for which the participant elects to pay health insurance premiums under a cafeteria plan or that are paid directly to furnish postretirement care expenses incurred by the recipient (see Rev. Rul. 2003-62, 2003-25 I.R.B. 1034). Also include this amount in box 2a.

In addition to reporting distributions to beneficiaries of deceased employees, report here any death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan. Also enter these amounts in box 2a, enter Code 4 in box 7.

Do not report accelerated death benefits on Form 1099-R. Report them on Form 1099-LTC, Long-Term Care and Accelerated Death Benefits.

For section 1035 exchanges that are reportable on Form 1099-R, enter the total value of the contract in box 1. (Zero) in box 2a, the total premiums paid in box 5, and Code 6 in box 7.

Tips
1. If you file a Form 1099-R with the IRS and later discover that there is an error on it, you must correct it as soon as possible. For example, if you transmit a direct rollover and file a Form 1099-R with the IRS reporting that none of the direct rollover is taxable by entering 0 (zero) in box 2a, and you then discover that part of the direct rollover consists of required minimum distributions under section 401(a)(9), you must file a corrected Form 1099-R. See part I in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

2. For a deemed distribution that was reported on Form 1099-R but was not repaid, the deemed distribution does not increase the participant’s basis.

3. If a participant’s accrued benefit is reduced (offset) to repay a loan, the amount of the account balance that is offset against the loan is an actual distribution. Report it as you would any other actual distribution. Do not enter Code L in box 7.

4. Note that the deemed distribution rules apply to death as well as to other distributions. Do not distribute any death benefit to a beneficiary before the due date of the Form 1040 or Form 1041 for the year of the death.

5. If you distribute income on each bond when it is redeemed.

6. Include in box 1 amounts distributed from a qualified retirement plan for which the participant elects to pay health insurance premiums under a cafeteria plan or that are paid directly to furnish postretirement care expenses incurred by the recipient (see Rev. Rul. 2003-62, 2003-25 I.R.B. 1034). Also include this amount in box 2a.

7. In addition to reporting distributions to beneficiaries of deceased employees, report here any death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan. Also enter these amounts in box 2a, enter Code 4 in box 7.

8. Do not report accelerated death benefits on Form 1099-R. Report them on Form 1099-LTC, Long-Term Care and Accelerated Death Benefits.

For section 1035 exchanges that are reportable on Form 1099-R, enter the total value of the contract in box 1. (Zero) in box 2a, the total premiums paid in box 5, and Code 6 in box 7.

Employer securities and other property. If you distribute employer securities or other property, include in box 1 the FMV amount paid to the beneficiary whose name appears on the Form 1099-R, and enter the percentage in box 9a, if applicable.

Alternate Payee Under a Qualified Domestic Relations Order (QDRO)
Distributions to an alternate payee who is a spouse or former spouse of the employee under a QDRO are reportable on Form 1099-R using the name and TIN of the alternate payee. If the alternate payee under a QDRO is a non-spouse, enter the name and TIN of the employee. However, see Transfer of an IRA to spouse on page R-3.

Nonresident Aliens
If income tax is withheld under section 3405 on a distribution to a nonresident alien, report the distribution and withholding on Form 1099-R. Also file Form 945 to report the withholding. See the Presumption Rules in part O of the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

However, any payments to a nonresident alien from any trust under section 401(a), any annuity plan under 403(b), any annuity, custodial account, or retirement income account under 403(b) subject to withholding under section 1441. Report the distribution and withholding on Form 1042. Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding.

Statements to Recipients
If you are required to file Form 1099-R, you must furnish a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, see part H in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Do not enter a negative amount in any box on Form 1099-R.
of the securities or other property on the date of distribution. If there is a loss, see Losses on page R-6.

If you are distributing worthless property only, you are not required to file Form 1099-R. Enter 0 (zero) in boxes 1 and 2a and any after-tax employee contributions in box 5.

Charitable gift annuities. If cash or capital gain property is donated to a charitable gift annuity, report the total amount distributed during the year in box 1. See Charitable gift annuities under box 3, below.

Box 2a. Taxable Amount

Generally, you must enter the taxable amount in box 2a. However, if you are unable to reasonably obtain the data needed to compute the taxable amount, leave this box blank. Do not enter excludable or tax-deferred amounts reportable in boxes 5, 6, 8, or 10.

For a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity, for a distribution from a conduit IRA that is payable to the trustee of or is transferred to an employer plan, for an IRA recharacterization, or for a nontaxable section 1035 exchange of life insurance, annuity, or endowment contracts, enter 0 (zero) in box 2a.

Cost of current life insurance protection. Include current life insurance protection costs (net premium costs) that were reported in box 1. However, do not report these costs and a distribution on the same Form 1099-R. Use a separate Form 1099-R for each. For the cost of current life insurance protection, enter Code 9 in box 7. See Regulations section 1.72-16(i) and Notice 2002-40, 2002-4 I.R.B. 398, 2002-1 C.B. 398, for information on the cost of premiums paid by an employee's trust under a qualified plan for current life insurance, annuity, or endowment contracts, enter 0 (zero) in box 2a.

Losses. If a distribution is a loss, do not enter a negative amount in this box. For example, if stock is distributed from a profit-sharing plan but the value is less than the employee's after-tax contributions, enter the value of the stock in box 1, leave box 2a blank, and enter the employee's contributions in box 5.

For a plan with no after-tax contributions, even though the value of the account may have decreased, there is no loss for reporting purposes. Therefore, if there are no employer securities distributed, show the actual cash and/or FMV of the property in boxes 1 and 2a. A conversion or reconversion is considered a distribution and must be reported even if it is with the same trustee and even if the conversion is done by a trustee-to-trustee transfer. For a Roth IRA conversion, use Code 2 in box 7 if the participant is under age 59 1/2 or Code 7 if the participant is at least age 59 1/2. Also check the IRA/SEP/SIMPLE box in box 7.

Boxes 4, 5, and any NUA in box 6.

Corrective distributions. Enter in box 2a the amount of excess deferrals, excess contributions, or excess aggregate contributions (other than employee contributions). See Corrective Distributions on page R-3.

Box 2b. Taxable Amount Not Determined

Enter an “X” in this box only if you are unable to reasonably obtain the data needed to compute the taxable amount. If you check this box, leave box 2a blank unless you are reporting a traditional IRA, SEP IRA, or SIMPLE IRA distribution. Except for IRAs, make every effort to compute the taxable amount. However, see IRA Revocation on page R-2 and Corrective Distributions on page R-3.

Box 2b. Total Distribution

Enter an “X” in this box only if the payment shown in box 1 is a total distribution. A total distribution is one or more distributions within 1 year in which the entire balance of the account is distributed. If periodic or installment payments are made, mark this box in the year the final payment is made.

Box 3. Capital Gain (Included in Box 2a)

If any amount is taxable as a capital gain, report it in box 3. Charitable gift annuities. Report in box 3 any amount from a charitable gift annuity that is taxable as a capital gain. Report in box 1 the total amount distributed during the year. Report in box 2a the gross distribution.
2a the taxable amount. Advise the annuity recipient of any amount in box 3 subject to the 28% rate gain for collectibles and any unrecaptured section 1250 gain. Report in box 5 any nontaxable amount. Enter Code F in box 7. See Regulations section 1.1011-2(c), Example 8.

Special rule for participants born before January 2, 1936 (or their beneficiaries). For lump-sum distributions from qualified plans only, enter the amount in box 2a eligible for the capital gain election under section 1122(h)(3) of the Tax Reform Act of 1986, 1986-3 (Vol. 1) C.B. 1, 367 and section 641(f)(3) of the Economic Growth and Tax Relief Reconciliation Act of 2001. Enter the full amount eligible for the capital gain election. You should not complete this box for a direct rollover.

To compute the months of an employee’s active participation before 1974, count as 12 months any part of a calendar year in which an employee actively participated under the plan; for active participation after 1973, count as 1 month any part of a month in which the employee actively participated under the plan. See the Example below.

Active participation begins with the first month in which an employee became a participant under the plan and ends with the earliest of:

• The month in which the employee received a lump-sum distribution under the plan;
• For an employee, other than a self-employed person or owner-employee, the month in which the employee separates from service;
• The month in which the employee dies; or
• For a self-employed person or owner-employee, the first month in which the employee becomes disabled within the meaning of section 72(m)(7).

Example for Computing Amount Eligible for Capital Gain Election (See Box 2a)

Step 1. Total Taxable Amount

A. Total distribution
B. Less:
1. Current actuarial value of any annuity
2. Employee contributions (minus any amounts previously distributed that were not includable in the employee's gross income)
3. Net unrealized appreciation in the value of any employer securities that was a part of the lump-sum distribution.
C. Total of lines 1 through 3
D. Total taxable amount. Subtract line C from line A.

Step 2. Capital Gain

Total taxable amount Months of active participation before 1974 Total months of active participation
Line D X = Capital gain

Box 4. Federal Income Tax Withheld

Enter any Federal income tax withheld. This withholding under section 3405 is subject to deposit rules and the withholding tax return is Form 945. Backup withholding does not apply. See Pub. 15-A, Employer’s Supplemental Tax Guide, and the Instructions for Form 945 for more withholding information.

Even though you may be using Code 1 in box 7 to designate an early distribution subject to the 10% additional tax specified in sections 72(q), (t), or (y), you are not required to withhold that tax.

The amount withheld cannot be more than the sum of the cash and the FMV of property (excluding employer securities) received in the distribution. If a distribution consists solely of employer securities and cash ($200 or less) in lieu of fractional shares, no withholding is required.

To determine your withholding requirements for any designated distribution under section 3405, you must first determine whether the distribution is an eligible rollover distribution. See Direct Rollovers on page R-2 for a discussion of eligible rollover distributions. If the distribution is not an eligible rollover distribution, the rules for periodic payments or nonperiodic distributions apply. For purposes of withholding, distributions from any IRA are not eligible rollover distributions.

Eligible rollover distribution: 20% withholding. If an eligible rollover distribution is paid directly to an eligible retirement plan in a direct rollover, do not withhold Federal income tax. If any part of an eligible rollover distribution is not a direct rollover, you must withhold 20% of the part that is paid to the recipient. The recipient cannot claim exemption from the 20% withholding but may ask to have additional amounts withheld on Form W-4P, Withholding Certificate for Pension or Annuity Payments. If the recipient is not asking that additional amounts be withheld, Form W-4P is not required for an eligible rollover distribution because 20% withholding is mandatory.

Employer securities and plan loan offset amounts that are part of an eligible rollover distribution must be included in the amount multiplied by 20%. However, the actual amount to be withheld cannot be more than the sum of the cash and the FMV of property (excluding employer securities and plan loan offset amounts). For example, if the only part of an eligible rollover distribution that is not a direct rollover is employer securities or a plan loan offset amount, no withholding is required. However, any cash that is paid in the distribution must be used to satisfy the withholding on the employer securities or plan loan offset amount.

The payer is required to withhold 20% of eligible rollover distributions from a qualified plan’s distributed annuity and on eligible rollover distributions from a governmental section 457(b) plan.

Any NUA excludable from gross income under section 402(e)(4) is not included in the amount of any eligible rollover distribution that is subject to 20% withholding.

You are not required to withhold 20% of an eligible rollover distribution that, when aggregated with other eligible rollover distributions made to one person during the year, is less than $200.

IRAs. The 20% withholding does not apply to distributions from any IRA, but withholding does apply to IRAs under the rules for periodic payments and nonperiodic distributions. For withholding assume that the entire amount of an IRA distribution is taxable (except for the distribution of contributions under section 408(d)(4), in which only the earnings are taxable, and 408(d)(5)). Generally, Roth IRA distributions are not subject to withholding except on the earnings portion of excess contributions distributed under section 408(d)(4).

An IRA recharacterization is not subject to income tax withholding.

Periodic payments. For periodic payments that are not eligible rollover distributions, withhold on the taxable part as though the periodic payments were wages, based on the recipient’s Form W-4P. The recipient may request additional withholding on Form W-4P or claim exemption from withholding. If a recipient does not submit a Form W-4P, withhold by treating the recipient as married with three withholding allowances. See Circular E, Employer's Tax Guide (Pub. 15), for wage withholding tables.

Rather than Form W-4P, military retirees should give a copy of their Certificate. See Pub. 15-A, Employer’s Withholding Allowance Certificate.

Nonperiodic distributions. Withhold 10% of the taxable part of a nonperiodic distribution that is not an eligible rollover distribution. The recipient may request additional withholding on Form W-4P or claim exemption from withholding. Failure to provide TIN. For periodic payments and nonperiodic distributions, if a payee fails to furnish his or her correct TIN to you in the manner required, or if the IRS notifies you before any distribution that the TIN furnished is incorrect, a payee cannot claim exemption from withholding. For periodic payments, withhold as if the payee was single claiming no
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
Box 9a. Your Percentage of Total Distribution
If this is a total distribution and it is made to more than one person, enter the percentage received by the person whose name appears on Form 1099-R. You need not complete this box for any IRA distributions or for a direct rollover.

Box 9b. Total Employee Contributions
You are not required to enter the total employee contributions in box 9b. However, because this information may be helpful to the recipient, you may choose to report them.

If you choose to report the total employee contributions, do not include any amounts recovered tax free in prior years. For a total distribution, report the total employee contributions in box 5 rather than in box 9b.

Boxes 10—15. State and Local Information
These boxes and Copies 1 and 2 are provided for your convenience only and need not be completed for the IRS. Use the state and local information boxes to report distributions and taxes for up to two states or localities. Keep the information for each state or locality separated by the broken line. If state or local income tax has been withheld on this distribution, you may enter it in boxes 10 and 13, as appropriate. In box 11, enter the abbreviated name of the state and the payer’s state identification number. The state number is the payer’s identification number assigned by the individual state. In box 14, enter the name of the locality. In boxes 12 and 15 you may enter the amount of the state or local distribution. Copy 1 may be used to provide information to the state or local tax department. Copy 2 may be used as the recipient’s copy in filing a state or local income tax return.

Guide to Distribution Codes

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<td>1—Early distribution, no known exception.</td>
<td>Use Code 1 only if the employee/taxpayer has not reached age 59½, and if none of the exceptions under distribution Codes 2, 3, or 4 apply when the distribution is made. Use Code 1 even if the distribution is made for medical, first-time homebuyer, or qualified higher education expenses, under section 72(t).</td>
<td>B, D, L, or P</td>
</tr>
<tr>
<td>2—Early distribution, exception applies.</td>
<td>Use Code 2 only if the distribution is: · A Roth IRA conversion (an IRA converted to a Roth IRA) or a reconversion if the participant is under age 59½, · An early distribution made from a qualified retirement plan or IRA because of an IRS levy under section 6331, · A section 457(b) plan distribution and not subject to the additional 10% tax. But see Section 457(b) plan distributions on page R-8 for these distributions that may be subject to the 10% additional tax, and · A distribution from a qualified retirement plan after separation from service where the taxpayer has reached age 55.</td>
<td>B, D, or P</td>
</tr>
<tr>
<td>3—Disability.</td>
<td>For these purposes, see section 72(m)(7).</td>
<td>None</td>
</tr>
<tr>
<td>4—Death.</td>
<td>Use Code 4 regardless of the age of the employee/taxpayer to indicate payment to a decedent’s beneficiary, including an estate or trust. Also use it for death benefit payments made by an employer but not made as part of a pension, profit-sharing, or retirement plan.</td>
<td>B, A, D, G, L, or P</td>
</tr>
<tr>
<td>5—Prohibited transaction.</td>
<td>Use Code 5 if there was an improper use of the account. Code 5 means the account is no longer an IRA.</td>
<td>None</td>
</tr>
<tr>
<td>6—Section 1035 exchange.</td>
<td>Use Code 6 to indicate the tax-free exchange of life insurance, annuity, or endowment contracts under section 1035.</td>
<td>None</td>
</tr>
<tr>
<td>7—Normal distribution.</td>
<td>Use Code 7: (a) for a normal distribution from a plan, including a traditional IRA, if the employee/taxpayer is at least age 59½, (b) for a Roth IRA conversion or reconversion if the participant is at least age 59½, and (c) to report a distribution from a life insurance, annuity, or endowment contract and for reporting income from a failed life insurance contract under sections 7702(g) and (h). See Rev. Rul. 91-17, 1991-1 C.B. 190. Use Code 7 with Code A, if applicable. Generally, use Code 7 if no other code applies. Do not use Code 7 for a Roth IRA distribution.</td>
<td>A</td>
</tr>
<tr>
<td>Distribution Codes</td>
<td>Explanations</td>
<td>Used with code ...</td>
</tr>
<tr>
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</tr>
<tr>
<td>8 — Excess contributions plus earnings/ excess deferrals (and/or earnings) taxable in 2004.</td>
<td>Use Code 8 for an IRA or Roth IRA distribution under section 408(d)(4), unless Code P applies. Also use this code for corrective distributions of excess deferrals, excess contributions, and excess aggregate contributions, unless Code D or P applies. See Corrective distributions on page R-3 and IRA recapture on page R-2 for more information.</td>
<td>1, 2, 4, or J</td>
</tr>
<tr>
<td>9 — Cost of current life insurance protection.</td>
<td>Use Code 9 to report premiums paid by a trustee or custodian for current life or other insurance protection. See Box 2a on page R-6 for more information.</td>
<td>None</td>
</tr>
<tr>
<td>A — May be eligible for 10-year tax option.</td>
<td>Use Code A only for participants born before January 2, 1936, or their beneficiaries to indicate the distribution may be eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on Form 4972, Tax on Lump-Sum Distributions). To determine whether the distribution may be eligible for the tax option, you need not consider whether the recipient used this method (or capital gain treatment) in the past.</td>
<td>4 or 7</td>
</tr>
<tr>
<td>D — Excess contributions plus earnings/ excess deferrals taxable in 2002.</td>
<td>See the explanation for Code 8. Generally, do not use Code D for an IRA distribution under section 408(d)(4) or 408(d)(5).</td>
<td>1, 2, or 4</td>
</tr>
<tr>
<td>E — Excess annual additions under section 415/certain excess amounts under section 403(b) plans.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>F — Charitable gift annuity.</td>
<td>Use Code G for a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an eligible retirement plan (another qualified plan, a tax-sheltered annuity, or an IRA). See Direct Rollovers on page R-2. Also use Code G for certain distributions from conduit IRAs to an employer plan and IRA rollover contributions to an accepting employer plan. See Conduit IRAs on page R-2.</td>
<td>None</td>
</tr>
<tr>
<td>J — Early distribution from a Roth IRA.</td>
<td>Use Code J for a distribution from a Roth IRA when Code Q or Code T does not apply.</td>
<td>8 or P</td>
</tr>
<tr>
<td>L — Loans treated as deemed distributions under section 72(p).</td>
<td>Do not use Code L to report a loan offset. See Loans Treated as Distributions on page R-4.</td>
<td>None</td>
</tr>
<tr>
<td>N — Recharacterized IRA contribution made for 2004.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>P — Excess contributions plus earnings/ excess deferrals taxable in 2003.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Q — Qualified distribution from a Roth IRA.</td>
<td>Use Code Q for a distribution from a Roth IRA if you know that the participant meets the 5-year holding period and: • The participant has reached age 59 1/2, or • The participant died, or • The participant is disabled. Note: If any other code, such as 8 or P applies, use Code J.</td>
<td>None</td>
</tr>
<tr>
<td>R — Recharacterized IRA contribution made for 2003.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>S — Early distribution from a SIMPLE IRA in the first 2 years, no known exception.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>T — Roth IRA distribution, exception applies.</td>
<td>Use Code T for a distribution from a Roth IRA if you do not know if the 5-year holding period has been met but: • The participant has reached age 59 1/2, or • The participant died, or • The participant is disabled. Note: If any other code, such as 8 or P applies, use Code J.</td>
<td>None</td>
</tr>
</tbody>
</table>

*See the Caution for box 7 instructions on page R-8.*
Specific Instructions for Form 5498

File Form 5498, IRA Contribution Information, with the IRS by May 31, 2005, for each person for whom in 2004 you maintained any individual retirement arrangement (IRA), including a deemed IRA under section 408(q).

An IRA includes all investments under one IRA plan. It is not necessary to file Form 5498 for each plan. For example, if a participant has three certificates of deposit (CDs) under one IRA plan, only one Form 5498 is required regardless of the contributions and the fair market values (FMVs) of the CDs under the plan. However, if a participant has established more than one IRA plan with the same trustee, a separate Form 5498 must be filed for each plan.

Contributions. You must report contributions to any IRA on Form 5498. See the instructions under boxes 1, 2, 3, 4, 8, 9, and 10 on page R-13. If no reportable contributions were made for 2004, enter 0 on boxes 1, 2, 3, 4, 7, and 11 on page R-13. If no reportable contributions were made for 2004, an individual’s identification number (TIN) of the spouse. IRA conversion amounts were made for that year, you need not file Form 5498 nor furnish the annual statement to reflect the total distribution, no contributions. Generally, if a total distribution was made from an account during the year and no contributions, including rollovers, recharacterizations, or Roth IRA conversion amounts were made for that year, you need not file Form 5498 nor furnish the annual statement to reflect the total distribution, no contributions.

Direct Rollovers.

You must report each direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an IRA. Report a direct rollover in box 2. For information on direct rollovers of eligible rollover distributions, see Direct Rollovers on page R-2.

If a rollover or trustee-to-trustee transfer is made from a SIMPLE IRA to another IRA, you must report the amount of the rollover or transfer in box 2 as a regular contribution in box 1 even if the amount exceeds $3,000 ($2,500 for participants 50 or older).

Transfers. Do not report on Form 5498 a direct trustee-to-trustee transfer from (a) a traditional IRA to another traditional IRA or to a SEP IRA, (b) a SIMPLE IRA to another SIMPLE IRA, (c) a SEP IRA to another SEP IRA or to a traditional IRA, or (d) a Roth IRA to a Roth IRA. For reporting purposes, contributions and rollovers do not include these transfers.

Recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The contribution is treated as made to the second IRA (recharacterization).

A recharacterization may be made with the same trustee or with another trustee. The trustee of the first IRA must report the amount contributed before the recharacterization as a contribution on Form 5498 and the recharacterization as a distribution on Form 1099-R. The trustee of the second IRA must report the amount received (FMV) in box 4 on Form 5498 and check the type of IRA in box 7.

All recharacterized contributions received by an IRA in the same year must be totaled and reported on one Form 5498 in box 4. You may report the FMV of the account on the same Form 5498 if you use to report a recharacterization of an IRA contribution and any other contributions made to the IRA for the year.

Catch-up contributions. Participants, who are age 50 or older by the end of the year, may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of $3,000 is increased to $3,500 for participants age 50 or older. Contributions and catch-up elective deferral contributions reported on Form 5498 may be under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. For 2004, up to $3,000 in catch-up elective deferral contributions may be made under a SARSEP, and up to $1,500 to a SIMPLE IRA plan. For more information on catch-up elective deferral contributions, see Regulations section 1.414(v)-1.

Includen any catch-up amounts when reporting contributions for the year in boxes 1, 8, 9, or 10.

Roth IRA conversions. You must report the receipt of a conversion from an IRA to a Roth IRA even if the conversion is with the same trustee. Report the total amount contributed from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 8. Also report a reversion to a Roth IRA after a recharacterization in box 3.

IRA revocation. If a traditional IRA, Roth IRA, or SIMPLE IRA is revoked during its first 7 days (under Regulations section 1.408(d)-4(i)(ii)), Form 5498 must be filed to report any regular, rollover, IRA conversion, SEP IRA, or SIMPLE IRA contributions to a revoked IRA. For information about reporting a distribution from a revoked IRA, see IRA Revocation on page R-10.

Total distribution, no contributions. Generally, if a total distribution was made from an account during the year and no contributions, including rollovers, recharacterizations, or Roth IRA conversion amounts were made for that year, you need not file Form 5498 nor furnish the annual statement to reflect that the FMV on December 31 was zero.

Required minimum distributions (RMDs). An IRA (other than a Roth IRA) owner/participant must begin taking distributions for each calendar year beginning with the calendar year in which the participant attains age 70½. The distribution for the 70½ year must be made no later than April 1 of the following calendar year; RMDs for any other year must be made no later than December 31 of the prior year.

For each IRA you held as of December 31 of the prior year, if an RMD is required for the year, you must provide a statement to the IRA participant by January 31 regarding the RMD using one of two alternative methods described below. You are not required to use the same method for all IRA participants; you can use Alternative one for some IRA participants and Alternative two for the rest. Under both methods, the statement must inform the participant that you are reporting to the IRS that an RMD is required for the year. The statement can be provided in conjunction with the statement of the FMV.

If the IRA participant is deceased, and the surviving spouse is the sole beneficiary, special rules apply for RMD reporting. If the surviving spouse elects to treat the IRA as the spouse’s own, then the RMD is made in the same year as the surviving spouse’s own. However, if the surviving spouse does not elect to treat the IRA as the spouse’s own, then you may continue to treat the surviving spouse as a beneficiary. Until further guidance is issued, no reporting is required for IRAs of deceased participants (except where the surviving spouse elects to treat the IRA as the spouse’s own, as described above).

Alternative one. Under this method, include in the statement the amount of the RMD with respect to the IRA for the calendar year and the date by which the distribution must be made. The amount may be calculated assuming the sole beneficiary of the IRA is not a spouse more than 10 years younger than the participant. Use the value of the account as of December 31 of the prior year to compute the amount. See Box 11 on page R-13 for how to report.

Alternative two. Under this method, the statement informs the participant that a minimum distribution with respect to the IRA is required for the calendar year and the date by which such amount must be distributed. You must include an offer to furnish the participant with a calculation of the amount of the RMD if requested by the participant.

Electronic filing. These statements may be furnished electronically using the procedures described in part H of the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Reporting to the IRS. If an RMD is required, check box 11 (see page R-13). For example, box 11 is checked on the 2004 Form 5498 for a 2005 RMD. You are not required to report to the IRS the amount or the date by which the distribution must be made.
Inherited IRAs. In the year an IRA participant dies, you, as an IRA trustee or issuer, generally must file a Form 5498 and furnish an annual statement for the decedent and a Form 5498 and an annual statement for each nonspouse beneficiary. An IRA holder must be able to identify the source of each IRA he or she holds for purposes of figuring the taxation of a distribution from an IRA. Thus, the decedent’s name must be shown on the beneficiary’s Form 5498 and annual statement. For example, you may enter “Brian Willow as beneficiary of Joan Maple” or something similar that signifies that the IRA was once owned by Joan Maple. You may abbreviate the word “beneficiary” as, for example, “BM.”

For a spouse beneficiary, unless the spouse makes the IRA his or her own by making contributions to the account, including a rollover contribution, or by not taking distributions required by section 401(a)(9)(B), treat the spouse as a nonspouse beneficiary for reporting purposes. If the spouse makes the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

For a decedent’s Form 5498 and annual statement, you must enter the FMV of the IRA on the date of death in box 5. Or you may choose the alternate reporting method and report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because you will be reporting the end-of-year valuation on the beneficiary’s Form 5498 and annual statement. The same figure should not be shown on both the beneficiary’s and decedent’s forms. If you choose to report using the alternate method, you must inform the executor or administrator of the decedent’s estate of his or her right to request a date-of-death valuation.

On the beneficiary’s Form 5498 and annual statement, the FMV of that beneficiary’s share of the IRA as of the end of the year must be entered in box 5. Every year thereafter usually be zero because you will be reporting the end-of-year valuation on the beneficiary’s Form 5498 and annual statement. The same figure should not be shown on both the beneficiary’s and decedent’s forms. If you choose to report using the alternate method, you must inform the executor or administrator of the decedent’s estate of his or her right to request a date-of-death valuation.

If you have no knowledge of the death of an IRA participant until after you are required to file a Form 5498, you must file a Form 5498 and furnish an annual statement for each beneficiary who has not received a total distribution of his or her share of the IRA showing the FMV at the end of the year and identifying the IRA as described above.

However, if a beneficiary takes a total distribution of his or her share of the IRA in the year of death, you need not file a Form 5498. However, you must still file Form 5498 for the decedent.

If you or your service member are required to file Form 5498 for combat zone participants on paper. Alternatively, you may report contributions made by the normal contribution due date magnetically or electronically and report the contributions made after the normal contribution due date on paper. You may also report prior year contributions by combat zone participants on a corrected Form 5498 magnetically, electronically, or on paper.

Electronic/magnetic media filers. You may request an electronic waiver from filing combat zone forms Forms 5498 by submitting the signed or signed by combat zone participant. Information Returns magnetically. Once you have received the waiver, you may report all Forms 5498 for combat zone participants on paper. Alternatively, you may report contributions made by the normal contribution due date magnetically or electronically and report the contributions made after the normal contribution due date on paper. You may also report prior year contributions by combat zone participants on a corrected Form 5498 magnetically, electronically, or on paper.

If you are required to file a Form 5498 electronically, you must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return.

If you furnished a statement of the FMV of the account, and RMD if applicable, to the participant by January 31, 2005, and no reportable contributions, including rollovers, recharacterizations, or Roth IRA conversions, were made for 2004, you need not furnish another statement (or Form 5498) to the participant to report zero contributions. However, you must file Form 5498 with the IRS by May 31, 2005, to report the December 31, 2004 FMV of the account. This rule also applies to beneficiary accounts under the inherited IRA rules on this page.

For more information about the requirement to furnish statements to participants, see part H in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.
Box 1. IRA Contributions (Other Than Amounts in Boxes 2–4 and 8–10)
Enter contributions to a traditional IRA made in 2004 and through April 15, 2005, designated for 2004.

Report gross contributions, including the amount allocable to the cost of life insurance (see Box 6) and including any excess contributions, even if the excess contributions were withdrawn. If an excess contribution is treated as a contribution in a subsequent year, do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution on Form 5498 for the year it was actually contributed.

Also include employee contributions to an IRA under a SEP plan. These are contributions made by the employee, not by the employer, that are treated as regular IRA contributions subject to the 100% of compensation and $3,000 ($3,500 for participants 50 or older) limits of section 219. Do not include employer SEP IRA contributions or SARSEP contributions under section 408(k)(6). Instead, include them in box 8.

Also, do not include in box 1 contributions to a SIMPLE IRA (report them in box 9) and a Roth IRA (report them in box 10). In addition, do not include in box 1 rollovers and recharacterizations (report rollovers in box 2 and recharacterizations in box 4), or a Roth IRA conversion amount (report in box 3).

Box 2. Rollover Contributions
Enter any rollover contributions to any IRA received by you during 2004. Include a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an IRA. For the rollover of property, enter the FMV of the property on the date you receive it. This value may be different from the value of the property on the date it was distributed to the participant.

Box 3. Roth IRA Conversion Amount
Enter the amount converted or reconverted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA during 2004. Do not include a rollover from one Roth IRA to another Roth IRA.

Box 4. Recharacterized Contributions
Enter any amounts recharacterized plus earnings from one type of IRA to another.

Box 5. Fair Market Value of Account
Enter the FMV of the account on December 31. For inherited IRAs, see Inherited IRAs on page R-12.

Box 6. Life Insurance Cost Included in Box 1
For endowment contracts only, enter the amount included in box 1 allocable to the cost of life insurance.

Box 7. Checkboxes
If you did not enter an amount in box 1, 3, 8, 9, or 10, even if you entered an amount in box 2 or 4, you must check the appropriate box. If you entered an amount in box 1, 3, 8, 9, or 10, you may, but you do not have to, check the appropriate box.

Box 8. SEP Contributions
Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2004 including contributions made in 2004 for 2003, but not including contributions made in 2005 for 2004. Do not enter employee contributions to an IRA under a SEP plan. Report any employee contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account.

Box 9. SIMPLE Contributions
Enter any contributions made to a SIMPLE IRA during 2004. Do not include contributions to a SIMPLE 401(k) plan.

Box 10. Roth IRA Contributions
Enter any contributions made to a Roth IRA in 2004 and through April 15, 2005, designated for 2004. However, report Roth IRA conversion amounts in box 3.

Box 11. Check if RMD for 2005
Check the box if the participant must take a required minimum distribution (RMD) for 2005. You are required to check the box for the year in which the IRA participant reaches age 70½ even though the RMD for that year need not be made until April 1 of the following year. Then check the box for each subsequent year an RMD is required to be made.

On Form 5498, or in a separate statement, report the information required by Alternative one or Alternative two (see page R-11). To determine the RMD, see the regulations under sections 401(a)(9) and 408(a)(6) and (b)(3). If you use Form 5498 to report the additional information under Alternative one, enter the amount and date in the blank box to the left of box 10 on the form.
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