2007 Instructions for Forms 1099-R and 5498

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

What’s New

Form 1099-R

Certain qualified distributions. A TIP has been added on page R-1 to indicate that there is no special reporting for qualified charitable distributions, qualified HSA distributions, or payments of qualified health and long-term care insurance premiums for retired public safety officers. Recipients of these distributions claim the associated tax benefits on their own income tax returns. However, trustees and issuers may use Distribution Code 2 to indicate an exception to the additional tax on early distributions for payments of qualified health and long-term care insurance premiums for retired public safety officers. See the Guide to Distribution Codes on page R-11.

Nonspouse designated beneficiaries. Notice 2007-7 provides guidance on provisions in the Pension Protection Act of 2006 regarding the tax treatment of certain distributions to nonspouse designated beneficiaries. See Direct Rollovers on page R-3; Automatic rollovers on page R-3; and the TIP on page R-4 under Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice).

Section 402(f) notice requirements. Guidance is provided under new Regulations section 1.402(f)-1 in meeting the requirements to furnish section 402(f) notices electronically. Also, the Pension Protection Act of 2006 extended the period for providing the notice for certain plans. See Notice 2007-7, Section VIII, and Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice) on page R-4.

Form 5498

Special catch-up contributions. Information for reporting catch-up contributions under section 219(b)(5)(C) has been added under Special reporting for 2007 on page R-13.


Nonspouse designated beneficiaries. Guidance on reporting for IRAs of nonspouse designated beneficiaries has been added to inherited IRAs on page R-14.

Qualified reservist distributions. Reporting instructions have been added on page R-14 under Repayment of qualified reservist distributions.

Blank box. Instructions regarding the use of the blank box to the left of box 10 for reporting certain contributions have been added on page R-15.

Reminders

In addition, see the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G for information on:

- Backup withholding
- Electronic reporting requirements
- Penalties
- Who must file (nominee/middledman)
- 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, IRAs, Insurance Contracts, etc., for each person to whom you have made a designated distribution or are treated as having made a 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-6.

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.

Generally, 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.

There is no special reporting for qualified charitable distributions described in section 408(d)(8), for qualified HSA funding distributions described in section 408(d)(9), or for the payment of qualified health and long-term care insurance premiums for retired public safety officers described in section 430(h).

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. For more information, see Notice 2003-20 which is on page 894 of Internal Revenue Bulletin 2003-3, available at www.irs.gov/pub/irs-ibr/ib03-3. pdf. Also see Section 457(b) plan distributions on page R-10 for information on distribution codes.

Nonqualified plans. Report any reportable distributions from commercial annuities. Report distributions to employee plan participants from section 403(b) nonqualified deferred compensation plans including nongovernmental section 457(b) plans on Form W-2, not on Form 1099-R; for nonemployees, these payments are reportable on Form 1099-MISC. However, report distributions to beneficiaries of deceased plan participants on Form 1099-R. See box 1 on page R-6.

Section 404(k) dividends. Generally, distributions from an employee stock ownership plan (ESOP), including a tax credit ESOP, are reported on Form 1099-DIV. Dividends and Distributions. However, if the distribution is a total distribution and contains section 404(k) dividends, report these dividends on Form 1099-R.

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-7.

**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 includable in the income of the recipient. If you are reporting the surrender of a life insurance contract, see Code 7 on page R-11.

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 See Cost of life insurance protection on page R-7.

**Section 1033 exchange.** A tax-free section 1033 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 designated distribution, 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, and Rev. Rul. 2007-24 available in Internal Revenue Bulletin 2007-21 at www.irs.gov/pub/irs-ebu/bru07-21.pdf.

For more information on reporting taxable exchanges, see box 1 on page R-6.

**Designated Roth Account Distributions**

An employer offering a section 401(k) or 403(b) plan may allow participants to contribute all or a portion of the elective deferrals, or any designated distribution, if the participant already has a separate designated Roth account established under the plan. Contributions made under a 401(k) plan must meet the requirements of Regulations section 1.401(k)-1(f) (Proposed Regulations section 1.403(b)-(3)c for a section 403(b) plan). Under the terms of the 401(k) plan or section 403(b) plan the designated Roth account must meet the requirements of section 402A.

A separate Form 1099-R must be used to report a distribution from a designated Roth account.

**IRA Distributions**

**For deemed IRAs under section 408(d), use the rules that apply to section 402 or 403.** SEP IRAs and SIMPLE IRAs, however, may not be used as deemed IRAs.

**Deemed IRAs.** A qualified employer plan may allow employees to irrevocably transfer or convert earnings to a separate account or annuity established under the plan. Under the terms of the qualified employer plan, the account or annuity must meet the applicable requirements of section 408 or 408A for a traditional IRA or Roth IRA. Under section 408(g), the “deemed IRA” portion of the qualified employer plan is subject to the rules applicable to traditional and Roth IRAs, and not to those of the applicable plan under section 401(a), 403(a), 403(b), or 457.

Accordingly, the reporting and withholding rules on plan and IRA distributions apply separately depending on whether the distributions are made from the deemed IRA or the qualified employer plan. For example, the reporting rules for required minimum distributions apply separately for the two portions of the plan. A total distribution of amounts held in the qualified employer plan portion and the deemed IRA portion is reported on two separate Forms 1099-R — one for the distribution from the deemed IRA portion and one for the rest of the distribution. Also, the 20% withholding rules of section 3405(c) do not apply to a distribution from the deemed IRA portion but would apply to a distribution from the employer plan portion, and section 72(t) applies separately to the two portions.

**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. See the instructions for box 1 on page R-7 for how to report the withdrawal of IRA contributions under section 408(d)(4). Also see Transfers on page R-4 for information on trustee-to-trustee transfers, including recharacterizations. The direct rollover provisions on page R-3 do not apply to distributions from any IRA. However, taxable distributions from traditional IRAs and SEP IRAs may be subject to the 10% additional tax under section 72(t). If a rollover contribution is made to a traditional or Roth IRA that later is revoked or closed, and distribution is made to the participant, returns entered 0 (zero) in box 2a, and use Code G in box 7.

**Roth IRAs.** For distributions from a Roth IRA, report the gross distribution in box 1 but generally leave box 2a blank. Check the “Taxable amount not determined” box in box 2b. Enter Code J, or Code T if appropriate in box 7. Do not use any annuity, life insurance, annuity, and endowment contracts. Code Q or Code Y. You may enter Code 8 or Code J. For the withdrawal of excess contributions, see box 2a on page R-7. It is not necessary to mark the IRA/SEP/SIMPLE checkbox.

**Roth IRA conversions.** You must report an IRA that is converted or reconverted this year to a Roth IRA in boxes 1 and 2a, even if the conversion is a trustee-to-trustee transfer or is with the same trustee. Enter Code 2 or 7 in box 7 depending on the participant's age.

Conduit IRAs. If you know the distribution is from a conduit IRA, follow these rules. If a distribution from a conduit IRA is paid to the participant, report the full amount in boxes 1 and 2a, and use Code 1 or 7 in box 7 depending on the participant's age. If a distribution from a conduit IRA is paid to the trustee of, or transferred to, an employer plan, report the distribution in box 1, enter 0 (zero) in box 2a, and use Code G in box 7.

**IRA Revocation or Account Closure**

If a traditional or Roth IRA is revoked during its first year and the ILR is closed at any time by the IRA trustee or custodian due to a failure of the participant to satisfy the Customer Identification Program requirements described in section 326 of the U.S. Patriot Act, the distribution from the IRA must be reported. In addition, Form 5498, IRA Contribution Information, must be filed to report any regular, rollover, Roth IRA conversion, SEP IRA, or SIMPLE IRA contribution to an IRA that is subsequently revoked or closed by the trustee or custodian.

If a regular contribution is made to a traditional or Roth IRA that later is revoked or closed, 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 J for a Roth IRA. If earnings are distributed, enter the amount of earnings in box 2a.

For a traditional IRA, enter Code 1 and 8, if applicable, in box 7 for a Roth IRA. Enter the gross distribution in box 1, enter 0 (zero) in box 2a, and use Code G in box 7.

**IRA Revocation or Account Closure**

If a traditional or Roth IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(iii)) or is closed at any time by the IRA trustee or custodian due to a failure of the taxpayer to satisfy the Customer Identification Program requirements described in section 326 of the U.S. Patriot Act, the distribution from the IRA must be reported. For more information on reporting taxable exchanges, see the Participant's Age.

A designated Roth account is subject to the 10% early distribution tax under section 72(t). If a rollover contribution is made to a traditional or Roth IRA that later is revoked or closed, and distribution is made to the participant, report the full amount in boxes 1 and 2a, and use Code G in box 7.

**IRA Revocation or Account Closure**

If a traditional or Roth IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(iii)) or is closed at any time by the IRA trustee or custodian due to a failure of the taxpayer to satisfy the Customer Identification Program requirements described in section 326 of the U.S. Patriot Act, the distribution from the IRA must be reported. In addition, Form 5498, IRA Contribution Information, must be filed to report any regular, rollover, Roth IRA conversion, SEP IRA, or SIMPLE IRA contribution to an IRA that is subsequently revoked or closed by the trustee or custodian.

If a regular contribution is made to a traditional or Roth IRA that later is revoked or closed, 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 J for a Roth IRA. If earnings are distributed, enter the amount of earnings in box 2a. For a traditional IRA, enter Code 1 and 8, if applicable, in box 7; for a Roth IRA, enter Code 1 and Code G. For a rollover contribution, enter in boxes 1 and 2 of Form 1099-R the gross distribution and the appropriate code in box 7 (Code J for a Roth IRA). Follow this same procedure for a transfer from a traditional or Roth IRA to another IRA of the same type that is later revoked or closed. The distribution could be subject to the 10% early distribution tax under section 72(t).

If an IRA conversion contribution is made to a Roth IRA that later is revoked or closed, and a distribution is made to the

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taxpayer, enter the gross distribution in box 1 of Form 1099-R. If no earnings are distributed, enter 0 (zero) in box 2a and Code J in box 7. If earnings are distributed, enter the amount of the earnings in box 2a and Code J 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 or is closed by the trustee or custodian, 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 a separate Form 1099-R to report the distribution of DECs. 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, a separate Form 1099-R is not required to report the direct rollover of the DECs.

**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 section 403(b) plan to a traditional IRA. If you receive a direct rollover to an IRA, you must report Form 5498. If you receive a direct rollover to a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan, no report is required.

If part of the distribution is a direct rollover and part is from a rollover provision of section 401(a)(31)(B) and must be paid in a direct rollover to an IRA.

For information on the notification requirements, see Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice) on page R-4. For additional information, see Notice 2005-5 which is available on page 337 of Internal Revenue Bulletin 2005-5 at www.irs.gov/pub/irs-ibs/ib05-03.pdf.

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-8.

**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.

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 section 403(b) plan, no report is required.

For more information on eligible rollover distributions, including substantially equal periodic payments, required minimum distributions, and plan loan offset amounts, see Regulations sections 1.402(c)-2 and 1.403(b)-2. Also, see Rev. Rul. 2002-62 which is on page 710 of Internal Revenue Bulletin 2002-42 at www.irs.gov/pub/irs-ibs/ib02-42.pdf for guidance on substantially equal periodic payments that began after December 31, 2002.


**Designated Roth accounts.** A direct rollover from a designated Roth account under a qualified cash or deferred arrangement may only be made to another designated Roth account under an applicable retirement plan described in section 402(a)(1) or to a Roth IRA described in section 408A, and only to the extent the direct rollover is permitted under the rules of section 408(c). A distribution from a Roth IRA, however, cannot be rolled over into a designated Roth account. In addition, a plan is permitted to treat the balance of the participant’s designated Roth account and the participant’s other accounts under the plan as accounts held under two separate plans for purposes of applying the automatic rollover rules of section 401(a)(31)(B) and Q/A-9 through Q/A-11 of Regulations section 1.401(a)(31)-1. Thus, if a participant’s balance in the designated Roth account is less than $2000, the plan is not required to offer a direct rollover election or to apply the automatic rollover provisions to such balance.

When the portion of the distribution from a designated Roth account that is not includable in gross income is to be rolled over into a designated Roth account under another plan, the rollover must be accomplished by a direct rollover. Any portion not includable in gross income that is distributed to the employee, however, cannot be rolled over to another designated Roth account. In the case of a direct rollover, the distributing plan is required to report to the recipient plan the amount of the investment (basis) in the contract and the first year of the 5-taxable-year period.

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.

**Automatic rollovers.** Eligible rollover distributions may also include involuntary distributions that are more than $1,000 but $5,000 or less and are made from a qualified plan to an IRA on behalf of a plan participant. Involuntary distributions made on or after March 28, 2005, are generally subject to the automatic rollover provisions of section 401(a)(31)(B) and must be paid in a direct rollover to an IRA.

For information on the notification requirements, see Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice) on page R-4. For additional information, also see Notice 2005-5 which is available on page 337 of Internal Revenue Bulletin 2005-5 at www.irs.gov/pub/irs-ibs/ib05-03.pdf.

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-8.


Designated Roth accounts. A direct rollover from a designated Roth account under a qualified cash or deferred arrangement may only be made to another designated Roth account under an applicable retirement plan described in section 402(a)(1) or to a Roth IRA described in section 408A, and only to the extent the direct rollover is permitted under the rules of section 408(c). A distribution from a Roth IRA, however, cannot be rolled over into a designated Roth account. In addition, a plan is permitted to treat the balance of the participant’s designated Roth account and the participant’s other accounts under the plan as accounts held under two separate plans for purposes of applying the automatic rollover rules of section 401(a)(31)(B) and Q/A-9 through Q/A-11 of Regulations section 1.401(a)(31)-1. Thus, if a participant’s balance in the designated Roth account is less than $2000, the plan is not required to offer a direct rollover election or to apply the automatic rollover provisions to such balance.

When the portion of the distribution from a designated Roth account that is not includable in gross income is to be rolled over into a designated Roth account under another plan, the rollover must be accomplished by a direct rollover. Any portion not includable in gross income that is distributed to the employee, however, cannot be rolled over to another designated Roth account. In the case of a direct rollover, the distributing plan is required to report to the recipient plan the amount of the investment (basis) in the contract and the first year of the 5-taxable-year period.
The requirements of section 402(f) do not apply to direct rollovers by nonspouse designated beneficiaries.

For qualified plans, section 403(b) plans, and governmental section 457(e)(17) plans, the plan administrator is required to provide to each participant on a statement each year, the participant’s name, the year of deferral, and the amount and type of contributions, and earnings (including any default procedures), the mandatory 20% withholding rules, and an explanation of how distributions from the plan to which the rollover is made may have different restrictions and tax consequences compared to distributions from the plan from which the rollover is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium reasonably accessible to the participant; see Regulations section 1.402(f)-1(b).

For periodic payments that are eligible rollover distributions, you must provide the notice before the first payment and at least once a year as long as the payments continue. For section 403(b) plans, the payer must provide an explanation of the direct rollover option within the time period described above or some other reasonable period of time.

Notice 2002-3, which is on page 289 of Internal Revenue Bulletin 2002-2 and available at www.irs.gov/pub/irs-irbs/ib02-02.pdf, contains model notices that the plan administrator can use to satisfy the notice requirements.

The notice must explain the rollover rules, the special tax treatment for lump-sum distributions, the direct rollover option (and any default procedures), the mandatory 20% withholding rules, and an explanation of how distributions from the plan to which the rollover is made may have different restrictions and tax consequences compared to distributions from the plan from which the rollover is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium reasonably accessible to the participant; see Regulations section 1.402(f)-1(b).

For periodic payments that are eligible rollover distributions, you must provide the notice before the first payment and at least once a year as long as the payments continue. For section 403(b) plans, the payer must provide an explanation of the direct rollover option within the time period described above or some other reasonable period of time.

Notice 2002-3, which is on page 289 of Internal Revenue Bulletin 2002-2 and available at www.irs.gov/pub/irs-irbs/ib02-02.pdf, contains model notices that the plan administrator can use to satisfy the notice requirements.

Notice 2002-3 has not yet been updated for requirements related to plans that accept designated Roth contributions. For distributions of an excess plus earnings are reportable on Form 1099-R and the distribution of the year(s) in which the distribution is taxable and generally, do not report transfers between trustees or other interests. A transfer must appear on Form 1099-R when the transfer is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium reasonably accessible to the participant; see Regulations section 1.402(f)-1. For more information, see Notice 2005-5, Q/A-15.

Transfers

Generally, do not report transfers between trustees or issuers (unless they are direct rollovers from qualified plans) that involve no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another (unless they are recharacterized IRA contributions or Roth IRA conversions), from one section 403(b) plan to another, or for the purchase of permissible service credit under section 403(b)(13) or 457(e)(17).

IRA recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a contribution to an IRA (first) and the participant, 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 recharacterization as a distribution on Form 1099-R and the contribution as a correction to the first IRA and its character on Form 5498.

Enter the fair market value (FMV) of the amount recharacterized in box 1, 0 (zero) in box 2a, and Code R in box 7 if reporting a recharacterization of a prior-year (2006) contribution or Code N if reporting a recharacterization of a contribution in the same year (2007). It is not necessary to check the IRA/SEP/SIMPLE checkbox. For more information, see Notice 2000-30 on page 1266 of Internal Revenue Bulletin 2000-25 at www.irs.gov/pub/irs-irb/00-00-25.pdf.

Roth IRA conversions. A Roth IRA conversion is not considered to be a useable-to-trustee transfer. You must report a Roth IRA conversion or reversion as a distribution. Therefore, for an IRA that is converted to a Roth IRA, even with the same trustee, you must report the conversion and reversion 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 a Roth IRA that is not a SIMPLE IRA during the 2-year period beginning on the day distributions 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 exchanges on page R-2.

Transfer of an IRA to a spouse. If you transfer or re-designate an interest from one spouse’s IRA to an IRA for the other spouse under a divorce or separation instrument, the transfer or re-designation as provided under section 408(d)(6) 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) beneficiary reduction agreements, and salary reduction simplified employee pensions (SARSEPs) under section 408(k)(6). Excess contributions that are recharacterized under a section 408(k)(6) distribution are treated as a distribution on Form 1099-R for the year of the distribution regardless of when the distribution is reported to the participant. Enter Code 8, P, or in some cases D, in box 7 (with Code B if applicable) to designate the distribution and the year it is taxable.

Use a separate Form 1099-R to report a corrective distribution from a designated Roth account.

The total amount of the elective deferral is reported in box 12 of Form W-2. See the Instructions for Forms W-2 and W-3 for more information.

If the excess and the earnings are taxable in 2 different years, you must issue two Forms 1099-R to designate the year each is taxable.

You must advise the plan participant at the time of the distribution of the year(s) in which the distribution is taxable and whether that it may be necessary to file an amended return for a prior tax year.

For more information about reporting corrective distributions see: the Guide to Distribution Codes on pages R-11 and R-12; Notice 89-32, 1989-1 C.B. 671; Notice 88-33, 1988-1 C.B. 513; Notice 87-77, 1987-2 C.B. 385; Rev. Proc. 91-44, 1991-1 C.B. 733 (SARSEPs); and the Regulations under sections 401(k), 401(m), 402(g), and 457(e)(17).

Excess deferrals. Excess deferrals under section 402(g) can occur in 401(k) plans or section 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 distributed. Except for a SARSEP, if the distribution occurs after April 15, the excess is taxable in the year of deferral and the year distributed. The
earnings are taxable in the year distributed. 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. 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 2½ 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 2½-month period, or the excess contribution (not including earnings) (and excess aggregate contributions (not including earnings) in the case of a 401(k) plan) is less than $100, the excess (other than designated Roth account contributions) and earnings are taxable in the year distributed. For recharacterized excess contributions, the excess is taxable in the year a 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 the excess contributions were made that the participant must withdraw the excess and earnings. The excess contribution is taxable to the participant in the year of deferral and the earnings are taxable in the year the contributions were made. A corrective distribution made after the 2½-month period is taxable in the year distributed. Report the gross distribution in box 1, and enter the excess plus earnings (not including earnings) in box 2a. If the excess is less than $100, enter Code E in box 7. If a corrective distribution of an excess deferral is the total distribution (not including the amount recharacterized as excess aggregate contributions) is fully taxable in the year distributed (no part of the distribution is a return of 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 (or designated Roth account contributions) plus gains, enter the gross distribution in box 1, the gains attributable to the employee contributions (or designated Roth account contributions) being returned in box 2a, and the employee contributions (or designated Roth account 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.

New regulations under section 415, effective for limitation years beginning after June 30, 2007, do not contain procedures for reducing excess annual additions. However, reporting and procedures explained earlier can be used for correcting excess annual additions in 2007 under the Employee Plans Compliance Resolution System (EPCRS), as explained in Rev. Proc. 2006-27. For additional information, see Rev. Proc. 2006-27 which is available on page 945 of Internal Revenue Bulletin 2006-27 at www.irs.gov/pub/irs-ibrs/ibrs06-22.pdf.

**Certain Excess Amounts Under Section 403(b) Plans.**

A corrective distribution under the EPCRS to the participant of contributions to a section 403(b) plan (plus gains attributable to such contributions) that were in excess of the limits under section 415 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 fail the ADP or ACP test in 2007 and file a Form 1099-R with the IRS and then discover in 2008 that the plan failed either the section 401(k)(3) actual deferral percentage (ADP) test for 2007 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 2007 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 2007 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 1096, 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 participants with an explanation of why these new forms are being issued.

**Loans Treated as Distributions.**

A loan from a qualified plan under sections 401(a) 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 equal 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 reporting rules of section 72, including tax basis rules. The distribution also may be subject to the 10% early distribution tax under section 72(t).

If a loan fails to satisfy any of the conditions above, it is reported on Form 1099-R. Complete the appropriate boxes, include Code 1 and 2a, and enter Code L in box 7. Also, enter Code 1 or Code B, 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 repayments 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).

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.

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.

Missing Participants
The IRS administers a letter-forwarding program that could help plan administrators contact missing retirement plan participants (or possibly their beneficiaries). To inform individuals of their rights to benefits under a retirement plan, the IRS will forward letters from plan administrators to the missing individuals if the administrators provide the names and social security numbers (SSNs) of the missing individuals. However, the IRS cannot disclose individuals’ addresses or give confirmation of letter account number for all Forms 1099-R that you file. See part L in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G or Pub. 1220, if applicable.

Filer
The payer, trustee, or plan administrator must file Form 1099-R using the same name and employer identification number (EIN) used to deposit any tax withheld and to file Form 945, Annual Return of Withheld Federal Income Tax.

Beneficiaries
If you make a distribution to a beneficiary, trust, or estate, prepare Form 1099-R using the name and TIN of the beneficiary, trust, or estate, not that of the decedent. If there are multiple beneficiaries, report on each Form 1099-R only the amount paid to the beneficiary whose name appears on the Form 1099-R, and enter the percentage in box 9a, if applicable.

Disclaimers. A beneficiary may make a qualified disclaimer of all or some of an IRA account balance if the disclaimer amount and income tax on the amount are reported to the IRS and the beneficiary establishes a separate account. A qualified disclaimer may be made after the beneficiary has previously received the required minimum distribution for the year of the decedent’s death. For more information, see Revenue Ruling 2005-36, which is on page 1368 of Internal Revenue Bulletin 2005-26 available at www.irs.gov/public/irs-pdf/i-1368.pdf.

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 nonspouse, enter the name and TIN of the employee. However, this rule does not apply to IRAs; see Transfer of an IRA to spouse on page R-4.

Nonresident Aliens
If income tax is withheld under section 3405 on any 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 S of the 2007 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 section 403(a), any annuity, custodial account, or retirement income account under section 403(b), or any IRA account under section 408(a) or (b) are 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 M in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Account Number
The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-R. Additionally, the IRS encourages you to designate an account number for all Forms 1099-R that you file. See part L in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.

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 trustee 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 representing CDs redeemed early, report the net amount distributed. Also, see box 6 on page R-9.
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 him or her with the information necessary to figure the interest income on each bond when it is redeemed.

Include in box 1 amounts distributed from a qualified retirement plan for which the recipient elects to pay health insurance premiums under a cafeteria plan or that are paid directly to reimburse medical 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, report the total premium paid in box 5, 0 (zero) in box 2a, the total premiums paid in box 5, and Code 6 in box 7.

Designated Roth account distributions. If you are making a distribution from a designated Roth account, enter the gross distribution in box 5, 0 (zero) in box 2a, the basis included in the box in box 5, and the first year of the 5-taxable-year period in the box to the left of box 10. Also, enter the applicable code(s) in box 7.

Employer securities and other property. If you distribute employer securities or other property, include in box 1 the FMV of the securities or other property on the date of distribution. If there is a loss, see Losses on page R-8.

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

Charitable gift annuities. If cash or capital gain property is donated in exchange for a charitable gift annuity, report the total amount distributed during the year in box 1. See Charitable gift annuities under box 3 on page R-8.

Box 2a. Taxable Amount

Generally, you must enter the taxable amount in box 2a. However, if you are not required 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, and 8.

For a direct rollover from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan, 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, do not report these costs and a distribution from the same qualified plan (under section 401(a), 403(a), or 403(b)) 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.

Annuity starting date in 1998 or later. If you made annuity payments from a qualified plan (under section 401(a), 403(a), or 403(b)) and the annuity starting date is in 1998 or later, you must use the simplified method (under section 72(d)(1)) to figure the taxable amount. Under this method, the expected number of payments you use to figure the taxable amount depends on whether the payments are based on the life of one or more than one person. See Notice 98-2, 1998-1 C.B. 296, and Pub. 575, Pension and Annuity Income, to help you figure the taxable amount to enter in box 2a.

Annuity starting date after November 18, 1996, and before 1998. Under the simplified method for figuring the taxable amount, the expected number of payments is based only on the primary annuitant's age on the annuity starting date. See Notice 98-3.

Annuity starting date before November 19, 1996. If you properly used the rules in effect before November 19, 1996, for annuities that started before that date, continue to report using those rules. Also, if you are required to use the simplified method, enter the number of payments you plan to make, or one less if you are not sure when the annuity will end.

Designated Roth account. Generally, a distribution from a designated Roth account that is not a qualified distribution (as defined in section 402A and its regulations) is taxable to the recipient. Enter the basis included in box 2a, Code 0 in box 7, and Code 0 in box 6.

The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

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annuity described in section 408(b) is converted to a Roth IRA, the amount that is treated as distributed is the fair market value (FMV) of the annuity contract on the date the annuity contract is converted. This rule also applies when a traditional individual retirement account holds an annuity contract as an account asset and the traditional IRA is converted to a Roth IRA. Determining the FMV of an individual retirement annuity issued by a company regularly engaged in the selling of contracts depends on the timing of the conversion as outlined in Q/A-14 of Regulations section 1.408A-4T. Also, see Revenue Procedure 2006-13 for a safe harbor determination of the FMV when an individual retirement annuity is converted to a Roth IRA. Revenue Procedure 2006-13 is on page 315 of Internal Revenue Bulletin 2006-3 available at www.irs.gov/pub/irs-irsbs/pdf/irb06-03.pdf.

For a Roth IRA conversion, use Code 2 in box 7 if the participant is under age 59½ or Code 7 if the participant is at least age 59½. Also check the IRA/RASEP/SIMPLE box in box 6. 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 or designated Roth account contributions, enter the value of the stock in box 1, leave box 2a blank, and enter the employee’s contributions or designated Roth account contributions in box 5. For a plan with no after-tax contributions or designated Roth account contributions, enter the value of the stock in box 1, leave box 2a blank, and enter the employee’s contributions or designated Roth account contributions in box 5.

Box 2b. Taxable Amount not Determined

Enter an “X” in this box only if you are unable to reasonably obtain the necessary information to compute the taxable amount. If you check this box, leave box 2a blank. Except for IRAs, make every effort to compute the taxable amount. However, see IRA Revocation or Account Closure on page R-2 and Corrective Distributions on page R-4.

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 tax 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 (if applicable 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 taxable amount. Advise the annuity recipient of any amount in box 3 subject to the 28% rate gain for collectibles and any unrecovered 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, 387 and section 641(h)(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 an 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:

1. The month in which the employee received a lump-sum distribution under the plan;
2. The month in which the employee dies;
3. The month in which the employee dies; or
4. The month in which the employee dies;
5. The month in which the employee dies; or
6. The month in which the employee dies; or
7. The month in which the employee dies; or
8. The month in which the employee dies; or
9. The month in which the employee dies.

For self-employed persons or owner-employee, the first month in which the employee participates before 1974, count as 12 months any part of a calendar year in which the employee actively participated under the plan.

Example for Computing Amount Eligible for Capital Gain Election (See Box 3).

Step 1. Total Taxable Amount

A. Total distribution

B. Less:

1. Current actuarial value of any annuity

2. Employee contributions or designated Roth 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

Line D X = Capital gain

Months of active participation before 1974

Total months of active participation

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 section 72(q), (t), or (w), 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 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-3 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 and includible in gross income. 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 may apply to IRAs use 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), as applicable). 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-4 or claim exemption from withholding. If a recipient does not submit a Form W-4, witheld 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-4, military retirees should give you Form W-4, Employee’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-4 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, withholding as if the payee was single claiming no withholding allowances. For nonperiodic payments, withholding 10%. Backup withholding does not apply.

**Box 5. Employee Contributions/Designated Roth Contributions or Insurance Premiums**

Enter the employee’s contributions to a profit-sharing or retirement plan, designated Roth account contributions, or insurance premiums that the employee may recover tax free this year. The entry in box 5 may include any of the following: (a) designated Roth account contributions or contributions actually made by the employee over the years under the retirement or profit-sharing plan that were required to be included in the income of the employee when contributed (after-tax contributions), (b) contributions made by the employer but not included in the employee’s income and recognized by the employee as contributions to the employee under section 72(f), (c) the accumulated cost of premiums paid for life insurance protection taxable to the employee in previous years and in the current year under Regulations section 1.72-16 (cost of current life insurance protection) (only if the life insurance contract itself is distributed), and (d) premiums paid on commercial annuities. Also report after-tax contributions directly rolled over to an IRA. Do not include contributions to any DEC, 401(k) plan, or any other distribution to a retirement plan that was not an after-tax contribution.

Generally, for qualified plans, section 403(b) plans, and nonqualified commercial annuities, enter in box 5 the employee contributions or insurance premiums recovered tax free during the year based on the method you used to determine the taxable amount to be entered in box 2a. On a separate Form 1099-R, include the portion of the employee’s basis has that been distributed from a designated Roth account. See the Example in the instructions for box 2a on page R-7.

If periodic payments began before 1993, you are not required to, but you are encouraged to, report in box 5.

**TIP**

If you made periodic payments from a qualified plan and the annuity starting date is after November 18, 1996, you must use the simplified method to figure the tax-free amount each year. See Annuity starting date in 1998 or later on page R-7.

If a total distribution is made, the total employee contributions or insurance premiums available to be recovered tax free must be shown only in box 5. If any previous distributions were made, any amount recovered tax free in prior years must not appear in box 5.

If you are unable to reasonably obtain the data necessary to compute the taxable amount, leave boxes 2a and 5 blank, and check the not available box in box 2a.

For more information, see Rev. Proc. 92-86, 1992-2 C.B. 495 and section 72(d).

For reporting charitable gift annuities, see Charitable gift annuities on page R-7.

**Box 6. Net Unrealized Appreciation (NUA) in Employer’s Securities**

Use this box if a distribution from a qualified plan (except a qualified distribution from a designated Roth account) includes securities of the employer corporation (or a subsidiary or parent corporation) and you can compute the NUA in the employer’s securities. Enter all the NUA in employer securities if this is a lump-sum distribution. If this is a lump-sum distribution, enter only the NUA in employer securities attributable to employer contributions. See Regulations section 1.402(a)-1(b) for the determination of the NUA. Also see Notice 89-25, Q/A-1, 1989-1 C.B. 662. Include the NUA in box 5 but not in box 2a. You do not have to complete this box for a direct rollover.

**Box 7. Distribution Code(s)**

Enter an “X” in the IRA/SEP/SIMPLE checkbox if the distribution is from a traditional IRA, SEP IRA, or SIMPLE IRA. It is not necessary to check the box for a distribution from a Roth IRA or for an IRA recharacterization.

Enter the appropriate code(s) in box 7. Use the Guide to Distribution Codes on pages R-11 and R-12 to determine the appropriate code(s) to enter in box 7 for any amounts reported on Form 1099-R. Read the codes carefully and enter them accurately because the IRS uses the codes to help determine whether the recipient has properly reported the distribution. If the codes you enter are incorrect, the IRS may improperly propose changes to the recipient’s taxes.

When applicable, enter a numeric and an alpha code. For example, when using Code R for a traditional IRA distribution under section 408(d)(4), you must also enter Code 1, if it applies. For a normal distribution from a qualified plan that qualifies for the 10-year tax option, enter Codes 7 and 9. For a direct rollover to an IRA or a qualified plan for the surviving spouse of a deceased participant, enter Codes 4 and G. If two or more distribution codes are not valid combinations, you must file more than one Form 1099-R.

**CAUTION**

Only three numeric combinations are permitted on one Form 1099-R: Codes 8 and 1, 8 and 2, or 8 and 4. If two or more other numeric codes are applicable, you must file more than one Form 1099-R. For example, if part of a distribution is premature (Code 1) and part is not (Code 7), file one Form 1099-R for the part to which Code 1 applies and another Form 1099-R for the part to which Code 7 applies. In addition, for the distribution of excess deferrals, excess...
contributions, or excess aggregate contributions, parts of the distribution may be taxable in 2 or 3 different years. File separate Forms 1099-R using Code B, D, or P to indicate the year the amount is taxable.

Even if the employee/taxpayer is age 59½ or over, use Code 1 if a series of substantially equal periodic payments was modified within 5 years of the date of the first payment (within the meaning of section 72(q)(3) or (t)(4)). For example, Mr. B began receiving payments that qualified for the exception for part of a series of substantially equal periodic payments under section 72(t)(2)(A)(iv) when he was 57. When he was 61, Mr. B substantially modified the payments. Because the payments were modified within 5 years, use Code 1 in the year the payments were modified, even though Mr. B is over 59½.


If part of an eligible rollover distribution is paid in a direct rollover and part is not, you must file a separate Form 1099-R for each part showing the appropriate code on each form. If part of a distribution is an eligible rollover distribution and part is not (for example, a minimum distribution required by section 401(a)(9)) and the part that is an eligible rollover distribution is directly rolled over, you must file a separate Form 1099-R to report each part.

Designated Roth accounts. Use Code B for a distribution from a designated Roth account unless the distribution is due to an IRS levy under section 6331, in which case, use Code 2; or to an excess annual addition under section 415, in which case use Code 6. For 2007, Code B may be combined with Codes 1, 2, 4, 8, G, and L, as appropriate.

Section 457(b) plan distributions. Generally, a distribution from a governmental section 457(b) plan is not subject to the 10% additional tax under section 72(t). However, an early distribution from a governmental section 457(b) plan of an amount that is attributable to a rollover from another type of plan or IRA is subject to the additional tax as if the distribution were from a plan described in section 401(a). See section 72(t)(9). If the distribution consists solely of amounts that are not attributable to such a rollover, enter Code 2 in box 7. If the distribution consists solely of amounts attributable to such a rollover, then enter the appropriate code in box 7 as if the distribution were from a plan described in section 401(a). If the distribution is made up of amounts from both sources, you must

file separate Forms 1099-R for each part of the distribution unless Code 2 would be entered on each form.

Box 8. Other
Enter the current actuarial value of an annuity contract that is part of a lump-sum distribution. Do not include this item in boxes 1 and 2a.

To determine the value of an annuity contract, show the value as an amount equal to the current actuarial value of the annuity contract, reduced by an amount equal to the excess of the employee’s contributions over the cash and other property (not including the annuity contract) distributed.

If an annuity contract is part of a multiple recipient lump-sum distribution, enter in box 8, along with the current actuarial value, the percentage of the total annuity contract each Form 1099-R represents.

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 or designated Roth account 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 or designated Roth account contributions, do not include any amounts recovered tax free in prior years. For a total distribution, report the total employee contributions or designated Roth account 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

<table>
<thead>
<tr>
<th>Distribution Codes</th>
<th>Explanations</th>
<th>Used with code ...(if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1—Early distribution, no known exception.</td>
<td>Use Code 1 only if the employee/taxpayer has not reached age 59 1/2, and you do not know if any of the exceptions under Distribution Code 2, 3, or 4 apply. Use Code 1 even if the distribution is made for medical expenses, health insurance premiums, qualified higher education expenses, a first-time home purchase, or a qualified reservist distribution under section 72(t)(2)(B), (D), (E), (F), or (G). Code 1 must also be used even if a taxpayer is 59 1/2 or older and he or she modifies a series of substantially equal periodic payments under section 72(q), (t), or (v) prior to the end of the 5-year period.</td>
<td>B, D, L, or P</td>
</tr>
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</table>
| 2—Early distribution, exception applies. | Use Code 2 only if the employee/taxpayer has not reached age 59 1/2 and the distribution is:  
• A Roth IRA conversion (an IRA converted to a Roth IRA).  
• A distribution made from a qualified retirement plan or IRA because of an IRS levy under section 6331.  
• A section 457(b) plan distribution that is not subject to the additional 10% tax. But see Section 457(b) plan distributions on page R-10 for information on distributions that may be subject to the 10% additional tax.  
• A distribution from a qualified retirement plan after separation from service where the taxpayer has reached age 55.  
• A distribution from a governmental defined benefit plan to a public safety employee after separation from service where the taxpayer has reached age 50.  
• A distribution that is part of a series of substantially equal periodic payments as described in section 72(q), (t), or (v).  
• A distribution from a governmental plan for the payment of health or long-term care insurance premiums for a retired public safety officer under section 402(l).  
• Any other distribution subject to an exception under section 72(q), (t), or (v) that is not required to be reported using Code 1, 3, or 4. | B, D, or P |
| 3—Disability. | For these purposes, see section 72(m)(7). None | None |
| 4—Death. | 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. | A, B, D, G, L, or P |
| 5—Prohibited transaction. | Use Code 5 if there was a prohibited (improper) use of the account. Code 5 means the account is no longer an IRA. | None |
| 6—Section 1035 exchange. | Use Code 6 to indicate the tax-free exchange of life insurance, annuity, or endowment contracts under section 1035. None | None |
| 7—Normal distribution. | Use Code 7: (a) for a normal distribution from a plan, including a traditional IRA, section 401(k), or section 403(b) plan, if the employee/taxpayer is at least age 59 1/2, (b) for a Roth IRA conversion or reconversion if the participant is at least age 59 1/2, 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(q) 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. Note: Code 1 must be used even if a taxpayer is 59 1/2 or older and he or she modifies a series of substantially equal periodic payments under section 72(q), (t), or (v) prior to the end of the 5-year period. | A |
| 8—Excess contributions plus earnings/ excess deferrals (and/or earnings) taxable in 2007. | Use Code 8 for an 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-4 and IRA Revocation or Account Closure on page R-2 for more information. | 1, 2, 4, B, or J |
| 9—Cost of current life insurance protection. | 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-7 for more information. | None |
| A—May be eligible for 10-year tax option. | 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. | 4 or 7 |
| B—Designated Roth account distribution. | Use Code B for a distribution from a designated Roth account that is not a qualified distribution. But use Code E for a section 415 excess. | 1, 2, 4, 8, G, L, or P |
### Guide to Distribution Codes

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<td><strong>D</strong>—Excess contributions plus earnings/excess deferrals taxable in 2006.</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>
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<td><strong>E</strong>—Excess annual additions under section 415/certain excess amounts under section 403(b) plans.</td>
<td>See Excess Annual Additions Under Section 415 on page R-5. None</td>
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<td><strong>F</strong>—Charitable gift annuity.</td>
<td>See Charitable gift annuities on page R-7. None</td>
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<td><strong>G</strong>—Direct rollover and rollover contribution.</td>
<td>Use Code G for a direct rollover from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan to an eligible retirement plan (another qualified plan, a section 403(b) plan, or an IRA). See Direct Rollovers on page R-3. 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. 4 or B</td>
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<td><strong>J</strong>—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. But use Code 2 for an IRS levy and Code 5 for a prohibited transaction. 8 or P</td>
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<td><strong>L</strong>—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-5. 1, 4, or B</td>
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<td><strong>N</strong>—Recharacterized IRA contribution made for 2007.</td>
<td>Use Code N for a recharacterization of an IRA contribution made for 2007 and recharacterized in 2007 to another type of IRA by a trustee-to-trustee transfer or with the same trustee. None</td>
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<td><strong>P</strong>—Excess contributions plus earnings/excess deferrals taxable in 2006.</td>
<td>See the explanation for Code 8. The IRS suggests that anyone using Code P for the refund of an IRA contribution under section 408(d)(4), including excess Roth IRA contributions, advise payees, at the time the distribution is made, that the earnings are taxable in the year in which the contributions were made. 1, 2, 4, 8, or J</td>
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<td><strong>Q</strong>—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 ½, or • The participant died, or • The participant is disabled. Note: If any other code, such as 8 or P, applies, use Code J. None</td>
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<td><strong>R</strong>—Recharacterized IRA contribution made for 2006.</td>
<td>Use Code R for a recharacterization of an IRA contribution made for 2006 and recharacterized in 2007 to another type of IRA by a trustee-to-trustee transfer or with the same trustee. None</td>
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<td><strong>S</strong>—Early distribution from a SIMPLE IRA in the first 2 years, no known exception.</td>
<td>Use Code S only if the distribution is from a SIMPLE IRA in the first 2 years, the employee/taxpayer has not reached age 59 ½, and none of the exceptions under section 72(t) are known to apply when the distribution is made. The 2-year period begins on the day contributions are first deposited in the individual’s SIMPLE IRA. Do not use Code S if Code 3 or 4 applies. None</td>
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<td><strong>T</strong>—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 ½, or • The participant died, or • The participant is disabled. Note: If any other code, such as 8 or P, applies, use Code J. None</td>
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*See the Caution for box 7 instructions on page R-9.*
Specific Instructions for Form 5498
File Form 5498, IRA Contribution Information, with the IRS by June 2, 2008, for each person for whom in 2007 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 a Form 5498 for each investment under one plan. For example, if a participant has three certificates of deposit as deemed IRAs, the participant is required to file only one Form 5498 for all three certificates, not one Form 5498 for each certificate.

If the participant has estates or other contributions under 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 for reportable contributions. If the contributions were made for 2007, complete only boxes 5 and 7, and box 11 if applicable.

You are required to file Form 5498 even if RMDs or other payments have started.

Report contributions to a spousal IRA under section 219(c) on a separate Form 5498 using the name and taxpayer identification number (TIN) of the spouse.

Contributions made between January 1 and April 15, 2008, trustees and issuers should obtain the participant’s designation of the year for which the contributions are made. Direct rollovers, transfers, and recharacterizations. You must report the receipt of a direct rollover from a qualified plan (including a governmental section 457(b) plan or section 403(b) plan 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-3.

If a rollover or trustee-to-trustee transfer is made from a SIMPLE IRA to an IRA that is not a SIMPLE IRA and the trustee has adequately substantiated information that the participant has not satisfied the 2-year period specified in section 72(h)(6), report the amount as a regular contribution in box 2 even if the amount exceeds $4,000 ($5,000 for participants 50 or older).

Transfers. Do not report on Form 5498 a direct trustee-to-trustee transfer (a) a transfer from 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 trust-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 for the year for which the contributions were made. 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 box 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 you use to report a recharacterization of an IRA contribution and 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 of up to $5,000 for 2007. Catch-up elective deferral contributions may be made under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. For 2007, up to $5,000 in catch-up elective deferral contributions may be made under a SARSEP, and up to $2,500 to a SIMPLE IRA plan. For more information on catch-up elective deferral contributions, see Regulations section 1.414(v)-1.

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

Special reporting for 2007. Special catch-up contributions of up to $3,000 may be made by certain participants under section 219(b)(5)(C) as added by section 831 of the Pension Protection Act of 2006. Report these contributions in the blank box to the left of box 10 with indicator code “BK.” Participants who make these contributions cannot also make catch-up IRA contributions.

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 converted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 3.

IRA reversion or account closure. If a traditional IRA, Roth IRA, or SIMPLE IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(ii)) or closed at any time by the IRA trustee pursuant to its resignation or such other event mandating the closure of the account, Form 5498 must be filed to report any regular, rollover, IRA conversion, SEP IRA, or SIMPLE IRA contributions to the IRA. For information about reporting a distribution from a revoked or closed IRA, see IRA Revocation or Account Closure on page R-2.

Total distribution, no contributions. Generally, if a total distribution is 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 701/2. The distribution for the 701/2 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 year. See Regulations section 1.401(a)(9)-6 for RMDs from annuity contracts.

Note. A qualified charitable distribution is counted for purposes of the RMD requirements under sections 408(a)(6), 408(b)(3), and 408A(c)(5).

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 may 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 report with the surviving spouse as the owner. However, if the surviving spouse does not elect to treat the IRA as the spouse’s own, then you must continue to treat the surviving spouse as the beneficiary. Until further guidance is issued, report one IRA 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 page R-15 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 F of the 2007 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-15. For example, box 11 is checked on the Form 5498 for a 2008 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 holder, generally must file a Form 5498 and furnish an annual statement for the decedent and a Form 5498 and an annual statement for each nonsupouse 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, including exclusion from current year gross income, gross income distributions, and death benefit distributions under section 402(c). 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, “bene.”

For a spouse beneficiary, unless the spouse makes the IRA his or her own, treat the spouse as a nonsupouse 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.

An IRA set up to receive a direct rollover for a nonsupouse designated beneficiary is treated as an inherited IRA.

Fair market value. On the 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 Form 5498. If you choose to report the FMV alternative 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 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 on or before the date of death if the beneficiary, but you must still file Form 5498 for the decedent.

If you have no knowledge of the death of an IRA participant until after you are required to file Form 5498 (May 31), you are not required to file a Form 5498 nor furnish a corrected Form 5498 if an original was previously filed.


For a spouse beneficiary, unless the spouse makes the IRA his or her own, treat the spouse as a nonsupouse 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.

Under section 219(f) as amended by the HERO Act, P.L. 109-227, combat zone compensation that is excluded from gross income under section 112 is treated as includible compensation for purposes of determining IRA contributions.

If a qualifying combat zone participant makes a contribution to an IRA after April 15 and designates the contribution for a prior year, you must report the type of contribution (box 7) and the amount on Form 5498. Report the amount either for (1) the year in which the contribution was made or (2) a subsequent year.

1. If you report the contribution for the year it is made, no special reporting is required. Include the contribution in box 1 of an original Form 5498 or of a corrected Form 5498 if an original was previously filed.

If you report the contribution on Form 5498 in a subsequent year, you must include the year for which the contribution was made, the amount of the contribution, and one of the following indicators:

- Use “AF” (Allied Force) for the Kosovo area.
- Use “JE” (Joint Endeavor) for the Persian Gulf area.
- Use “EF” (Enduring Freedom) for Afghanistan, Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, and Jordan.
- Use “IF” (Iraqi Freedom) for the Arabian Peninsula Areas (the Persian Gulf, the Red Sea, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates and the airspace above such locations).

See Pub. 3, Armed Forces’ Tax Guide, for a list of the locations within the designated combat zones and qualified hazardous duty areas.

Example. For a $4,000 IRA contribution designated for Enduring Freedom for the tax year 2005, enter “EF 2005 4000” in the blank box next to box 10 only. Make no entry in box 1.

Additional contribution rules for 2004 and 2005. Under the HERO Act, participants whose compensation was excluded from gross income under section 112 for 2004 or 2005 may make an IRA contribution for either or both years, treating the excluded compensation as includible compensation for purposes of section 219, provided the contribution is made no later than April 15, 2009. File a separate Form 5498 for these contributions for each year for which the contributions are made, following the special reporting rules above.

Repayment of qualified reservist distributions. Report any repayment of qualified reservist distributions treated as includible compensation for purposes of section 72(t)(2)(G) in the blank box to the left of box 10 with indicator code “QR.”

Electronic/magnetic media filers. You may request an automatic waiver from filing Forms 5498 for combat zone participants by submitting Form 8508. Request for Waiver From Filing Information Returns Electronically/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 paper contributions by combining paper and electronic reporting methods on a corrected Form 5498 magnetically, electronically, or on paper.

See part F in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G for information on how to request a waiver on Form 8508.

Corrected Form 5498. If you filed a Form 5498 with the IRS and later discover that there is an error on it, you must correct it as soon as possible. See part H in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G or Pub. 1220, if filing electronically. For example, if you reported contributions as rollover contributions in box 2, and you later discover that part of the contribution was not eligible to be rolled over and was, therefore, a regular contribution that should have been reported in box 1, you must file a corrected Form 5498.

Statements to participants. If you are required to file Form 5498, you must provide a statement to the participant. By January 31, 2008, you must provide participants with a statement of the December 31, 2007, value of the participant’s account and RMD, if applicable. Trustees of SIMPLE IRAs also
must provide a statement of the account activity by January 31. Contribution information for all other types of IRAs must be provided by June 2, 2008. You are not required to provide information to the IRS or to participants as to whether a contribution is deductible or nondeductible. In addition, the participant may be required to tell you whether a contribution is deductible or nondeductible.

If you furnished a statement of the FMV of the account, and RMD if applicable, to the participant by January 31, 2008, and no reportable contributions, including rollovers, recharacterizations, or Roth IRA conversions, were made for 2007, 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 June 2, 2008, to report the December 31, 2007, FMV of the account. This rule also applies to beneficiary accounts under the inherited IRA rules on page R-14.

For more information about the requirement to furnish statements to participants, see part M in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2C.

Account Number
The account number is required if you have multiple accounts. Enter the account number for all Forms 5498 that you file. See part L in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2C.

Blank Box
If the blank box is used to report more than one type of contribution, a separate Form 5498 will be required for each type of contribution.

Box 1. IRA Contributions (Other Than Amounts in Boxes 2–4 and 8–10)
Enter contributions to a traditional IRA made in 2007 and through April 15, 2008, designated for 2007.

Report gross contributions, including the amount allocable to the account (see box 4) 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 $4,000 ($5,000 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 2007. Include a direct rollover from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan 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 2007. Do not also include in box 1 contributions to a Roth IRA.

Include a rollover in box 2.

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-14.

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
Check the appropriate box.

IRA. Check “IRA” if you are filing Form 5498 to report information about a traditional IRA account.

SEP. Check “SEP” if you are filing Form 5498 to report information about a SEP IRA. If you do not know whether the account is a SEP IRA, check the “IRA” box.

SIMPLE. Check “SIMPLE” if you are filing Form 5498 to report information about a SIMPLE IRA account. Do not check this box for a SIMPLE 401(k) plan. See section 408(p).

Roth IRA. Check “Roth IRA” if you are filing Form 5498 to report information about a Roth IRA account.

Box 8. SEP Contributions
Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2007 including contributions made in 2007 for 2006, but not including contributions made in 2008 for 2007. 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 2007. Do not include contributions to a SIMPLE 401(k) plan.

Box 10. Roth IRA Contributions
Enter any contributions made to a Roth IRA in 2007 and through April 15, 2008, designated for 2007. However, report Roth IRA conversion amounts in box 3.

Box 11. Check if RMD for 2008
Check the box if the participant must take a required minimum distribution (RMD) for 2008. 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-13. 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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