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

What’s New

Form 1099-R

Qualified charitable distributions. Information relating to the reporting requirements for eligible charitable distributions under section 402(g)(8) has been deleted from the TIP on this page due to expiration of the provision.

Permissible withdrawals from eligible automatic contribution arrangements. Permissible withdrawals from eligible automatic contribution arrangements have been added to the list of distributions that are not eligible rollover distributions on page 3. Also, reporting instructions for these permissible withdrawals have been added under Permissible Withdrawals under Section 414(w) on page 6.

Qualified rollover contributions. Reporting instructions for qualified rollover contributions as defined in section 408A(e) have been added under Reporting a direct rollover on page 3.

Box 2a. Taxable Amount. A Caution has been added to the instructions for box 2a on page 7 to notify filers to disregard the amount which may be excludable under section 402(c) as a distribution of payments for qualified health and long-term care insurance premiums for retired public safety officers when computing the taxable amount in box 2a.

Box 4. Federal Income Tax Withheld. Instructions for withholding on nonqualified distributions from designated Roth accounts have been added on page 9 under Eligible rollover distribution; 20% withholding.

Guide to Distribution Codes. The following changes were made to the Guide to Distribution Codes:

For Distribution Code 1 on page 11, references to the qualified reservist distribution under section 72(t)(2)(G) have been deleted due to expiration of the provision.

An exception was added to Distribution Code 2 on page 11 for distributions that are permissible withdrawals under an eligible automatic contribution arrangement under section 414(w).

New Distribution Code H, Direct rollover of a designated Roth account to a Roth IRA, was added on page 12.

Distribution Codes B and D are a valid combination for 2008.

Form 5498

Disaster relief reporting. A section has been added on page 14 to direct filers to the IRS website for information on disaster relief available for presidentially declared disaster areas.

Designated combat zones. Somalia has been added to the list of locations in the designated combat zone for Enduring Freedom on page 14.

Qualified rollover contributions. Instructions have been added to box 2 for the reporting of qualified rollover contributions to Roth IRAs.

Reminders

In addition, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G for information on the following topics:

Backup withholding.

Electronic reporting requirements.

Penalties.

Who must file (nominee/middleman).

When and where to file.

Taxpayer identification numbers.

Statements to recipients.

Corrected and void returns.

Other general topics.

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

Specific Instructions for Form 1099-R

File Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, 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 a qualified retirement plan. See box 1 on page 7 for information on distribution codes.

Qualified charitable distributions. 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.

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.

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. Report on Form W-2, income tax withholding and 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 2002-20 which is on page 894 of Internal Revenue Bulletin 2003-19, at www.irs.gov/pub/irs-irbs/irb03-19.pdf. Also see Section 457(b) plan distributions on page 10 for information on distribution codes.

Nonqualified plans. Report any reportable distributions from commercial annuities. Report distributions to employee plan participants from section 403(a) 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 7.

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, you may report the entire amount on Form 1099-R or you may report the dividends on Form 1099-DIV and the remaining amount on Form 1099-R.
IRA Distributions

They are otherwise eligible to make to a separate designated Roth Account Distributions with the same trustee. Enter Code 2 or 7 in box 7 depending on the type and rule above. Prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

Section 1035 exchange

A tax-free section 1035 exchange is the exchange of (a) an existing traditional or Roth IRA, or another life insurance, endowment, or annuity contract, (b) an annuity contract for another 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 the exchange occurs with the same company, (a) 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 Y does not have to be reported on Form 1099-R as long as the company maintains the required records. See Rev. Proc. 92-26, 1992-1 C.B. 744, for certain exchanges for which reporting is not required under section 6047(d). Also see Rev. Rul. 2007-2a in Internal Revenue Bulletin 2007-21 at www.irs.gov/pub/irs-irsb/rb07-21.pdf for certain transactions that do not qualify as tax-free exchanges.

For more information on reporting taxable exchanges, see box 1 on page 7.

Designated Roth Account Distributions

An employer offering a section 401(k) or 403(b) plan may allow the participant to designate all or a portion of the elective deferrals they are otherwise eligible to make to a separate designated Roth account established under the plan. Contributions made under a section 401(k) plan must meet the requirements of Regulations section 1.401(k)-1(f) (Regulations section 1.403(b)-1(c) for a section 403(b) plan). Under the terms of the section 401(k) 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

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 a transferee of (a) an annuity contract, contract that provides for regular payments to begin no later than they would have begun under the old contract, enter in box 1, enter 0 (zero) in box 2a, and use Code G in box 7.

For deemed IRAs under section 408(g), use the rules that apply to traditional IRAs or Roth IRAs as applicable. (A Roth IRA that is a deemed Roth IRA is a SIMPLE IRA, however, may be used as deemed IRAs.)

Deemed IRAs. A qualified employer plan may allow employees to make voluntary employee contributions 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 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 appear 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 and Roth IRA contribution limits only apply to the deemed IRA portion of the plan. A total distribution of amounts held in the qualified employer plan and the deemed IRA 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 10% early distribution tax under section 72(t) does not apply to a distribution from the deemed IRA portion but would apply to a distribution from the qualified employer plan portion, and section 7 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 box 1 and 2a regardless of the amount. You may check the “Taxable amount not determined” box in box 2b. But see the instructions for box 2a on page 7 for how to report the withdrawal of excess contributions under section 461. Also see Transfers on page 4 for information on trustee-to-trustee transfers, including treatment of rollovers and transfers to a Roth IRA on page 8. It is not necessary to mark the IRA/SEP/SIMPLE check box.

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 of an inherited account. Enter Code 2 or 7 in box 7 depending on the participant’s age.

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)(ii)) or is closed at any time by the IRA trustee or custodian due to a failure of the required identification procedure, 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, and to those of the applicable plan under section 401(a), 403(a), 403(b), or 457.

If a traditional or Roth IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(ii)) or is closed at any time by the IRA trustee or custodian due to a failure of the required identification procedure, 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, and 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 appear 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 and Roth IRA contribution limits only apply to the deemed IRA portion of the plan. A total distribution of amounts held in the qualified employer plan and the deemed IRA 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 10% early distribution tax under section 72(t) does not apply to a distribution from the deemed IRA portion but would apply to a distribution from the qualified employer plan portion, and section 7 applies separately to the two portions.

TIP

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

**Dischargeable 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 distributor’s 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 or other eligible retirement plan. For additional rules regarding the treatment of direct rollovers from designated Roth accounts, see Designated Roth accounts below. A direct rollover may be made for the employee, for the employee’s surviving spouse, for the spouse of former spouse who is an alternate payee under a qualified domestic relations order (QDRO) or for a non-spouse designated beneficiary, in which case the direct rollover can only be made to an IRA. If the distribution is paid to the surviving spouse, the distribution is treated in the same manner as if the spouse were the employee. See Part V of Notice 2007-7 on page 395 of Internal Revenue Bulletin 2007-5 at www.irs.gov/pub/irs-irb/irb07-05.pdf for guidance on direct rollovers by non-spouse designated beneficiaries.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the employee (including unrealized appreciation (NUA)) from a qualified plan (including a governmental section 457(b) plan) or a section 403(b) plan, except:

1. One of a series of substantially equal periodic payments made at least annually over:
   a. The life of the employee or the joint lives of the employee and the employee’s designated beneficiary,
   b. The life expectancy of the employee or the joint life and last survivor expectancy of the employee and the employee’s designated beneficiary, or
   c. A specified period of 10 years or more.
2. A required minimum distribution (under section 401(a)(9)). A plan administrator is permitted to assume there is no designated beneficiary for purposes of determining the minimum distribution.
3. Elective deferrals (under section 402(g)(3)), employee contributions, and earnings on each returned because of the section 415 limits.
4. Corrective distributions of excess deferrals (under section 402(g)(3)), employee contributions, and earnings on each returned because of the section 415 limits.
5. Corrective distributions of excess contributions under a qualified cash or deferred arrangement (under section 401(k)) and excess contributions (under section 403(b)) and earnings.
6. Loans treated as deemed distributions (under section 72(p)). But plan loan offset amounts can be eligible rollover distributions. See Regulations section 1.402(c)-1(e).

**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 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 4. For additional information, also see Notice 2005-5 which is on page 337 of Internal Revenue Bulletin 2005-3 at www.irs.gov/pub/irs-irb/irb05-03.pdf.

**Reporting a direct rollover.** Report a qualified direct rollover in box 1 and a 0 (zero) in box 2a, unless the rollover is a direct rollover of a qualified rollover contribution other than from a designated Roth account. See Qualified rollover contributions as defined in section 408A(a) on page 4. You do not have to report capital gain in box 3 or NUA in box 6. Enter Code G in box 7 unless the rollover is a direct rollover from a designated Roth account to a Roth IRA. See Designated Roth accounts below. If the direct rollover is made by a non-spouse designated beneficiary, also enter Code 4 in box 7.

Prepare the form using the name and social security number of the participant or other individual whose plan account or other 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.

If part of the distribution is a direct rollover and part is distributed to the recipient, prepare two Forms 1099-R.


**For information on distributions of amounts attributable to cash or deferred contributions separately accounted for by an eligible retirement plan and if permissible timing restrictions apply, see Rev. Rul. 2004-12 which is on page 478 of Internal Revenue Bulletin 2004-7 at www.irs.gov/pub/irs-irb/irb04-07.pdf.**

**Designated Roth accounts.** A direct rollover from a designated Roth account to another designated Roth account may only be made to another designated Roth account under an applicable retirement plan described in section 402(a)(11) or to a Roth IRA described in section 408A. 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 a single plan account 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 $200, 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 an applicable retirement 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.

For a direct rollover of a distribution from a designated Roth account to a Roth IRA, enter the amount rolled over in box 1 and 0 (zero) in box 2a. Use Code H in box 7 if the direct rollover...
rollover is from one designated Roth account to another designated Roth account, enter Codes B and G in box 7.

**Qualified rollover contributions as defined in section 408A(e).** A qualified rollover contribution as defined in section 408A(e) is:

- A rollover contribution to a Roth IRA from another IRA that meets the requirements of section 408(d)(3)
- A rollover contribution to a Roth IRA from an eligible retirement plan (other than an IRA) that meets the requirements of section 408A(e)(2)(B).

For reporting a rollover from an IRA other than a Roth IRA to a Roth IRA, see Roth IRA conversions on pages 2 and 8.

For a direct rollover of an eligible rollover distribution to a Roth IRA (other than from a designated Roth account), report the rollover contribution rolled over in box 1, the taxable amount in box 2a, and any basis recovery amount in box 5. (See the instructions for box 5 on page 9.) Use Code G in box 7.

For reporting instructions for a direct rollover from a designated Roth account, see Designated Roth accounts on page 3.

**Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice)**

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(f) plans, the plan administrator must provide to each recipient of an eligible rollover distribution an explanation of the rules and requirements related to plans that accept designated Roth contributions. For distributions from designated Roth accounts, the section 402(f) notice must contain the rollover and taxation rules for the distribution of designated Roth contributions. The notice also has not yet been updated for the requirements of the Pension Protection Act of 2006.

**Involuntary distributions.** For involuntary distributions paid to You must advise the plan participant at the time of the distribution that involves no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another, transfers from one section 403(b) plan to another, or for the purchase of permissive service credit under section 403(b)(13) or 457(e)(17). However, you must report:

- Recharacterized IRA contributions;
- Roth IRA conversions; and
- Direct rollovers from qualified plans (including governmental section 457(b) plans) and section 403(b) plans, including any direct rollovers from such plans that are qualified rollover contributions described in section 408A(e).

**IRA recharacterizations.** You must report each recharacterization of an IRA contribution. A participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The contribution is treated as made to the second IRA (recharacterization). A recharacterization may be made with the same trustee or with another trustee. The trustee of the first IRA must report the recharacterization as a distribution on Form 1099-R and the contribution to the first IRA and its character on Form 5498. Enter the fair market value (FMV) of the amount recharacterized in box 1, D (zero) in box 2a, and Code R in box 7 if reporting a recharacterization of a prior-year (2007) contribution or Code N if reporting a recharacterization of a contribution made in the same year (2008), it is not necessary to report a transfer on Form 1099-R. The tax year for which the distribution is taxable is the year in which the distribution is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium that involves no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another, transfers from one section 403(b) plan to another, or for the purchase of permissive service credit under section 403(b)(13) or 457(e)(17). However, you must report:

- Recharacterized IRA contributions;
- Roth IRA conversions; and
- Direct rollovers from qualified plans (including governmental section 457(b) plans) and section 403(b) plans, including any direct rollovers from such plans that are qualified rollover contributions described in section 408A(e).

**Transfers**

Generally, do not report a transfer between trustees or issuers that involve no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another, transfers from one section 403(b) plan to another, or for the purchase of permissive service credit under section 403(b)(13) or 457(e)(17). However, you must report:

- Recharacterized IRA contributions;
- Roth IRA conversions; and
- Direct rollovers from qualified plans (including governmental section 457(b) plans) and section 403(b) plans, including any direct rollovers from such plans that are qualified rollover contributions described in section 408A(e).

**Rollover Distributions (Section 402(f) Notice)**

A rollover contribution to a Roth IRA from an eligible retirement plan (other than an IRA) that meets the requirements of section 408A(e)(2)(B).

For a direct rollover from an IRA other than a Roth IRA to a Roth IRA, see Roth IRA conversions on pages 2 and 8.

For a direct rollover of an eligible rollover distribution to a Roth IRA (other than from a designated Roth account), report the rollover contribution rolled over in box 1, the taxable amount in box 2a, and any basis recovery amount in box 5. (See the instructions for box 5 on page 9.) Use Code G in box 7.

For reporting instructions for a direct rollover from a designated Roth account, see Designated Roth accounts on page 3.

**Correction to Distributions**

You must report each corrective distribution, including a trustee-to-trustee transfer from one IRA to another. A participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The contribution is treated as made to the second IRA (recharacterization). A recharacterization may be made with the same trustee or with another trustee. The trustee of the first IRA must report the recharacterization as a distribution on Form 1099-R and the contribution to the first IRA and its character on Form 5498. Enter the fair market value (FMV) of the amount recharacterized in box 1, D (zero) in box 2a, and Code R in box 7 if reporting a recharacterization of a prior-year (2007) contribution or Code N if reporting a recharacterization of a contribution made in the same year (2008), it is not necessary to report a transfer on Form 1099-R. The tax year for which the distribution is taxable is the year in which the distribution is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium that involves no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another, transfers from one section 403(b) plan to another, or for the purchase of permissive service credit under section 403(b)(13) or 457(e)(17). However, you must report:

- Recharacterized IRA contributions;
- Roth IRA conversions; and
- Direct rollovers from qualified plans (including governmental section 457(b) plans) and section 403(b) plans, including any direct rollovers from such plans that are qualified rollover contributions described in section 408A(e).

**Corrective Distributions**

You must report on Form 1099-R corrective distributions of excess deferrals, excess contributions and excess aggregate contributions under section 401(a) plans, section 401(k) cash or deferred arrangements, section 403(a) annuity plans, section 403(b) salary reduction agreements, and salary reduction simplified employee pensions (SARSEPs) under section 408(k)(6). Excess contributions that are recharacterized under section 401(k) plan are treated as distributed. Corrective distributions of an excess plus earnings are reportable on Form 1099-R for the year of the distribution regardless of when the distribution is taxable to the participant. Enter Code B, P, or in some cases Code S if applicable to designate the distribution and the year it is taxable.

Use a separate Form 1099-R to report a corrective distribution to 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 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 11 and 12;
Excess Annual Additions Under Section 415

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

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

You may report the distribution of elective deferrals (other than designated Roth account contributions) and excess aggregate contributions (and gains attributable to such elective deferrals and employee contributions) on the same Form 1099-R.

However, if you made other distributions during the year, report them on a separate Form 1099-R. Because the distribution of elective deferrals (other than designated Roth account contributions) is fully taxable in the year distributed (no part of the distribution is a return of the investment in the contract), report the total amount of the distribution in boxes 1 and 2a. Leave box 5 blank, and enter Code E in box 7. For a return of employee contributions (or designated Roth account contributions) being returned in box 2a, and excess aggregate 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. 525.

New regulations under section 415, effective for limitation years beginning after June 30, 2007, do not contain procedures for reducing excess annual additions. However, the correction and reporting procedures explained earlier can be used for correcting excess annual additions in 2008 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 on page 945 of Internal Revenue Bulletin 2006-22 at www.irs.gov/pub/irs-irbs/irb06-22.pdf.

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 as the same corrective distribution of elective deferrals to satisfy the limits under section 415. It is taxable to the participant in the year of distribution as described above.

Failing the ADP or ACP Test After a Total Distribution

If you make a total distribution in 2008 and file a Form 1099-R with the IRS and then discover in 2009 that the plan failed either the section 401(k)(3) actual deferral percentage (ADP) test for 2008 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 5498 for 2008 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 2008 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 word “Corrected” after “Distribution.”

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

Loans Treated as Distributions

A loan from a qualified plan under sections 401(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 calculation rules of section 72, including tax basis rules. The distribution also may be subject to the 10% early distribution tax as defined in section 72(f). It is not eligible to be rolled over into an eligible retirement plan or if it is a qualified rollover as defined in section 402(c).

To report a deemed distribution, enter Code L in box 7. Also, enter Code C 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.

**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 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).

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.

**Permissible Withdrawals Under Section 414(w)**

For permissible withdrawals from an eligible automatic contribution arrangement under section 414(w):

- The distribution (except to the extent the distribution consists of designated Roth contributions) are included in the employee’s gross income in the year distributed;
- Report principal and earnings in boxes 1 and 2a except, in the case of a distribution from a designated Roth account, report only earnings in box 2a;
- The distribution is not subject to the 10% additional tax, indicated by reporting Distribution Code 2 in box 7; and
- The distribution must be elected by the employee no later than 90 days after the first elective contribution, as specified in Proposed Regulations section 1.414(w)-1(c)(2).

If the distribution is from a designated Roth account, enter Code B as well as Code 2 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 delivery. All undelivered letters will be destroyed. For further information, see Rev. Proc. 94-22, 1994-1 C.B. 608, or contact your IRS office.

**Corrected Form 1099-R**

If you file a Form 1099-R with the IRS and later discover that there is an error on it, you must correct it as soon as possible. For example, if it reports a direct rollover to the wrong account (or possibly to an incorrect account), you must use Form 1099-R with the IRS reporting that none of the direct rollover is taxable by entering 0 (zero) in box 2a, and you then must discover that part of the account rollover consists of an actual distribution. Do not enter Code L in box 7. If you file a corrected Form 1099-R, see part H in the 2008 General Instructions for Forms 1099-R, 1098, 5498, and W-2G or Pub. 1220, if filing electronically.

**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 are paid to a new beneficiary or segregated in 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 Rev. Rul. 2005-36, which is on page 1368 of Internal Revenue Bulletin 2005-26 at www.irs.gov/pub/irs-irb/ 05-06-29.

**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 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 2008 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 contract account, or any account under section 403(b), or any IRA account under section 408(b) or (b) are subject to withholding under section 1441. Report the distribution and withholding on Form 1099-R. Annex A, Foreign Source Income Subject to Withholding, and File 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 2008 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. If 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 2008 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 are 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 certificates of deposit (CDs) redeemed early, report the net amount distributed. Also, see box 6 on page 9.

Include in this box the value of U.S. Savings Bonds distributed from a plan. Enter the appropriate taxable amount in box 2a. Do not report a statement from a 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 data interest 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 costs (net premium costs) covered under a cafeteria plan or that are paid directly to reimburse medical care expenses incurred by the recipient (see Rev. Rul. 2003-62 on page 1034 of Internal Revenue Bulletin 2003-25 at www.irs.gov/pub/irs-irbs/irb03-25.pdf). 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 1098-LTC, Long-Term Care and Accelerated Death Benefits.

For section 1035 exchanges that are reportable on Form 1099-R, enter the total value of the contract in box 1, 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 1, the taxable portion of the distribution in box 2a, the basis included in the distributed amount 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 gain, enter the code(s) as explained below.

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 boxes 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 8.

Box 2a. Taxable Amount

When determining the taxable amount to be entered in box 2a, do not reduce the taxable amount by any portion of the $5,000 exclusion for which the participant may be eligible as a payment of qualified health and long-term care insurance premiums for retired public safety officers under section 402(t).

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

For a direct rollover (other than a qualified rollover contribution) 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 qualified section 1035 exchange for 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. 266, and Pub. 575, (nontaxable 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 98-9-R.

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. No changes are necessary.

Corrective distributions. Enter in box 2a the amount of excess deferrals, excess contributions, or excess aggregate contributions (other than an employee contribution or designated Roth account contributions). See Corrective Distributions on page 4.

Cost of current life insurance protection. Include current life insurance protection costs (net premium costs) that were reported in box 1. However, do not report these costs and a distribution from the same Form 1099-R. Use a separate Form 1099-R for each. For the cost of current life insurance protection, enter Code 9 in box 7.

DECs. Include DEC distributions in this box. Also see Deductible Voluntary Employee Contributions (DECs) on page 3.

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 under section 402 in the case of a plan qualified under section 401(a) and under section 403(b)(1) in the case of a section 403(b) plan. For purposes of section 72, designated Roth account contributions are treated as employer contributions as described in section 72(f)(1) (that is, as includable in the participant’s gross income).

Examples. Participant A received a nonqualified distribution of $5,000 from the participant’s designated Roth account. Prior to the distribution, the participant’s account balance was $10,000, consisting of $9,400 of designated Roth contributions and $600 of earnings. The taxable amount of the $5,000 distribution is $300 ($600/$10,000 x 5,000). The nontaxable portion of the distribution is $4,700 ($9,400/$10,000 x 5,000). The issuer would report on Form 1099-R:

Box 1, $5,000 as the gross distribution;
Box 2a, $300 as the taxable amount;
Box 4, $60 ($300 x 20%) as the withholding on the earnings portion of the distribution;
Box 5, $4,700 as the designated Roth contribution basis (nontaxable amount);
Box 7, Distribution Code H; and
The first year of the 5-taxable-year period in the box to the left of box 10.

Using the same facts as above except that the distribution was a direct rollover to a Roth IRA, the issuer would report on Form 1099-R:

Box 1, $5,000 as the gross distribution;
Box 2a, 0 (zero) as the taxable amount;
Box 4, no entry;
Box 5, $4,700 as the designated Roth contribution basis (nontaxable amount);
Box 7, Distribution Code C; and
The first year of the 5-taxable-year period in the box to the left of box 10.

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, even though the value of the account may have decreased, there is no loss for reporting purposes. Therefore, if there are no employer securities distributed, show the actual cash and/or FMV of property distributed in boxes 1 and 2a, and make no entry in box 5. If only employer securities are distributed, show the FMV of the securities in boxes 1 and
2a and make no entry in box 5 or 6. If both employer securities and cash or other property are distributed, show the actual cash and in FMV of the property (including employer securities) distributed in box 1, the gross less any NUA on employer securities in box 2a, no entry in box 5, and any NUA in box 6.

Qualified rollover contributions. See Direct Rollovers on page 3 for information on qualified rollover contributions.

Roth IRA. For a distribution from a Roth IRA, report the total distribution in box 1 and leave box 2a blank except in the case of an IRA revocation or account closure (see page 2) and a recharacterization (see page 4). Use Code J, Q, or T as appropriate in box 6. Use Code G in box 7. Do not combine Code Q or T with any other codes.

However, for the distribution of excess Roth IRA contributions, report the gross distribution in box 1 and only the earnings in box 2a. Enter Code J and Code 0 or P in box 7.

Roth IRA conversions. Report the total amount converted or reconverting to a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in boxes 1 and 2a. A conversion or reconversion is considered a distribution and must be reported even if it is with the same entity if the conversion is done by a trustee-to-trustee transfer. When an individual retirement annuity described in section 408(b) is converted to a Roth IRA, the amount that is treated as distributed is the FMV of the annuity contract on the date the annuity contract is converted. This rule applies only if the 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 1.408-4T. Also, see Rev. Proc. 2006-13 for a safe harbor determination of the FMV when an individual retirement annuity is converted to a Roth IRA. Rev. Proc. 2006-13 is on page 315 of Internal Revenue Bulletin 2006-8 at www.irs.gov/pub/irs-irsb/irb06-03.pdf.

For a Roth IRA conversion, use Code 2 in box 7 if the participant is under age 59 1/2 or Code 7 if the participant is at least age 59 1/2. Also check the IRA/SEP/SIMPLE box in box 7.

SIMPLE IRA. Enter the total amount distributed from a SIMPLE IRA in box 2a. For a SIMPLE IRA rolled over to an accepting employer plan after the 2-year period (see section 72(b)(6)), enter the gross amount in box 1, 0 (zero) in box 2a, and Code G in box 7.

Traditional IRA or SEP IRA. Generally, you are not required to compute the taxable amount of a traditional IRA or SEP IRA nor design whether any part of a distribution is a return of basis attributable to nonqualified contributions. Therefore, report the total amount distributed from a traditional IRA or SEP IRA as if it were an in-service distribution. This will be the same in box 7.

Check the "Taxable amount not determined" box in box 2b.

However, for a distribution by a trust representing CDs redeemed early, report the net amount distributed. Do not include any amount paid for IRA insurance protection in this box.

For a distribution of contributions plus earnings from an IRA before the due date of the return under section 408(d)(4), report the gross distribution in box 1, only the earnings in box 2a, and enter Code 1 or 7 in box 7. Enter Code 1 or 4 also, if applicable.

For a distribution of excess contributions without earnings after the due date of the individual’s return under section 408(d)(5), leave box 2a blank, and check the "Taxable amount not determined" checkbox in box 2b. Use Code 1 or 7 in box 7 depending on the age of the participant.

For a traditional IRA and a SEP IRA rolled over to an accepting employer plan, enter the gross amount in box 1, 0 (zero) in box 2a, and Code G in box 7.

Box 2b. Taxable Amount not Determined

Enter an "X" in this box only if you are unable to reasonably obtain the data needed to compute the taxable amount. If you check the box, you must make every effort to compute the taxable amount. However, see IRA Revocation or Account Closure on page 2 and Corrective Distributions on page 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 (Included in Box 2a)

If any amount is taxable as a capital gain, report it in box 3.

Charitable gift annuities. Report in box 3 any amount from a charitable gift annuity that is taxable as a capital gain. Report in box 3 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 tax 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 the employee actively participated under the plan. See the Example below.

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

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

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

Step 1. Total Taxable Amount

A. Total distribution XXXXX

B. Less:

1. Current actuarial value of any annuity XXXXX

2. Employee contributions or designated Roth contributions (minus any amounts previously distributed that were not includible in the employee’s gross income) XXXXX

3. Net unrealized appreciation in the value of any employer securities that was a part of the lump-sum distribution XXXXX

C. Total of lines 1 through 3 XXXXX

D. Total taxable amount. Subtract line C from line A. XXXXX

Step 2. Capital Gain

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

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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 (v), you are not required to withhold that tax.
The amount withheld cannot be more than the sum of the 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. Periodic payments, withhold as if the payee was single claiming no withholding allowances. For nonperiodic payments, withhold 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 code in box 5a or 5b (or both) may include the following: (a) designated Roth account contributions or distributions 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 considered to have been contributed by the employee under section 72(t)), (c) the accumulated cost of premiums paid for life insurance protection taxable to the employee in previous years and in the current year under the 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, section 457(b), or any other contribution to a retirement plan that was not an after-tax contribution.

Generally, for qualified plans, section 403(b) plans, and nonequity installment sales 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 Form 1099-R, include the portion of the employee’s basis that has been distributed from a designated Roth account. See the Examples in the instructions for box 2a on page 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 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 be reported 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 appropriate box in box 2b.

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 7.

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

Use this box if a distribution from a qualified plan (except a qualified diversified distribution from a qualified plan) includes securities of the employer corporation (or a subsidiary or parent corporation) and you can compute the NUA in the employer’s securities. Generally, Roth IRA distributions are not subject to income tax withholding. Enter the appropriate code(s) in box 7.

Periodic payments. For periodic payments that are not eligible rollover distributions, withhold on the taxable part as though the payments were wages based on the recipient’s Form W-4P. The recipient may request additional withholding on Form W-4P or claim exemption from withholding. 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. Periodic payments, withhold as if the payee was single claiming no withholding allowances. For nonperiodic payments, withhold 10%. Backup withholding does not apply.

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 11 and 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.
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 P 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 A. For a direct rollover to an IRA or a qualified plan for the surviving spouse of a deceased participant, enter Codes 4 and G (Codes 4 and H if from a designated Roth account to a Roth IRA). If two or more distribution codes are not valid combinations, you must file more than one Form 1099-R.

Enter a maximum of two alpha/numeric codes in box 7. See the Guide to Distribution Codes on pages 11 and 12 for allowable combinations. 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 8, D, or R 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 the amounts.

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>
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<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 of 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, higher education expenses, a first-time home purchase under section 72(t)(2)(A), (D), (E), or (F). 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(t)(q), (t), or (v) prior to the end of the 5-year period.</td>
<td>8, B, D, L, or P</td>
</tr>
<tr>
<td>2—Early distribution, exception applies.</td>
<td>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 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 in or after the year the taxpayer has reached age 55. • A distribution from a governmental defined benefit plan to a public safety employee after separation from service in or after the year the employee 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 that is a permissible withdrawal under an eligible automatic contribution arrangement. • 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.</td>
<td>8, B, D, or P</td>
</tr>
<tr>
<td>3—Disability.</td>
<td>For these purposes, see section 72(m)(7).</td>
<td>None</td>
</tr>
<tr>
<td>4—Death.</td>
<td>Use Code 4 regardless of the age of the employee/taxpayer to indicate payment to a decedent’s beneficiary, including an estate or trust. Also use it for death benefit payments made by an employer but not made as part of a pension, profit-sharing, or retirement plan.</td>
<td>8, A, B, D, G, H, L, or P</td>
</tr>
<tr>
<td>5—Prohibited transaction.</td>
<td>Use Code 5 if there was a prohibited (improper) use of the account. Code 5 means the account is no longer an IRA.</td>
<td>None</td>
</tr>
<tr>
<td>6—Section 1035 exchange.</td>
<td>Use Code 6 to indicate the tax-free exchange of life insurance, annuity, or endowment contracts under section 1035.</td>
<td>None</td>
</tr>
<tr>
<td>7—Normal distribution.</td>
<td>Use Code 7: (a) for a normal distribution from a plan, including a traditional IRA, section 401(a), 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(g) and (h). See Rev. Rul. 91-17, 1991-1 C.B. 190. Use Code 7 with Code A, if applicable. Generally, use Code 7 if no other code applies.</td>
<td>A</td>
</tr>
<tr>
<td>8—Excess contributions plus earnings/ excess deferrals (and/or earnings) taxable in 2008.</td>
<td>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 4 and IRA Revocation or Account Closure on page 2 for more information.</td>
<td>1, 2, 4, B, or J</td>
</tr>
<tr>
<td>9—Cost of current life insurance protection.</td>
<td>Use Code 9 to report premiums paid by a trustee or custodian for current life or other insurance protection. See box 2a on page 7 for more information.</td>
<td>None</td>
</tr>
<tr>
<td>A—May be eligible for 10-year tax option.</td>
<td>Use Code A only for participants born before January 2, 1936, or their beneficiaries to indicate the distribution may be eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on Form 4972, Tax on Lump-Sum Distributions). To determine whether the distribution may be eligible for the tax option, you need not consider whether the recipient used this method (or capital gain treatment) in the past.</td>
<td>4 or 7</td>
</tr>
<tr>
<td>B—Designated Roth account distribution.</td>
<td>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.</td>
<td>1, 2, 4, B, D, G, L, or P</td>
</tr>
<tr>
<td>D—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(b)(5).</td>
<td>1, 2, 4, or B</td>
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<th>Used with code ...(if applicable)</th>
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<td>E—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 5.</td>
<td>None</td>
</tr>
<tr>
<td>F—Charitable gift annuity.</td>
<td>See Charitable gift annuities on page 7.</td>
<td>None</td>
</tr>
<tr>
<td>G—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 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 2. <strong>Note:</strong> Do not use Code G for a direct rollover from a designated Roth account to a Roth IRA. Use Code H.</td>
<td>4 or B</td>
</tr>
<tr>
<td>H—Direct rollover of a designated Roth account distribution to a Roth IRA.</td>
<td>Use Code H for a direct rollover of a distribution from a designated Roth account to a Roth IRA.</td>
<td>4</td>
</tr>
<tr>
<td>J—Early distribution from a Roth IRA.</td>
<td>Use Code J for a distribution from a Roth IRA when Code Q or Code T does not apply. But use Code 2 for an IRS levy and Code 5 for a prohibited transaction.</td>
<td>8 or P</td>
</tr>
<tr>
<td>L—Loans treated as deemed distributions under section 72(p).</td>
<td>Do not use Code L to report a loan offset. See Loans Treated as Distributions on page 5.</td>
<td>1, 4, or B</td>
</tr>
<tr>
<td>N—Recharacterized IRA contribution made for 2008.</td>
<td>Use Code N for a recharacterization of an IRA contribution made for 2008 and recharacterized in 2008 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.</td>
<td>None</td>
</tr>
<tr>
<td>P—Excess contributions plus earnings/excess deferrals taxable in 2007.</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.</td>
<td>1, 2, 4, B, or J</td>
</tr>
<tr>
<td>Q—Qualified distribution from a Roth IRA.</td>
<td>Use Code Q for a distribution from a Roth IRA if you know that the participant meets the 5-year holding period and: • The participant has reached age 59 1/2, • The participant died, or • The participant is disabled. <strong>Note:</strong> If any other code, such as 8 or P, applies, use Code J.</td>
<td>None</td>
</tr>
<tr>
<td>R—Recharacterized IRA contribution made for 2007.</td>
<td>Use Code R for a recharacterization of an IRA contribution made for 2007 and recharacterized in 2008 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.</td>
<td>None</td>
</tr>
<tr>
<td>S—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/beneficiary has not reached age 59 1/2, and none of the exceptions under section 72(i) 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.</td>
<td>None</td>
</tr>
<tr>
<td>T—Roth IRA distribution, exception applies.</td>
<td>Use Code T for a distribution from a Roth IRA if you do not know if the 5-year holding period has been met but: • The participant has reached age 59 1/2, • The participant died, or • The participant is disabled. <strong>Note:</strong> If any other code, such as 8 or P, applies, use Code J.</td>
<td>None</td>
</tr>
</tbody>
</table>

*See the first Caution for box 7 instructions on page 10.*
Specific Instructions for Form 5498
File Form 5498, IRA Contributions Information, with the IRS by June 1, 2009, for each person for whom in 2008 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 (CDs) under one IRA plan, only one Form 5498 is required for all contributions and the fair market values (FMVs) of the CDs under the plan. However, if a participant has established more than one IRA plan with the same trustee, a separate Form 5498 must be filed for each plan.

Contributions. You must report contributions to any IRA on Form 5498. See the instructions under boxes 1, 2, 3, 4, 8, 9, and 10 on page 15. If no reportable contributions were made for 2008, see boxes 1, 8, 9, and 10 on page 15, and box 11 if applicable. You are required to file Form 5498 even if required minimum distributions (RMDs) or other payments have started.

Report contributions to a spousal IRA under section 219(c) on a separate Form 5498 using the names and taxpayer identification numbers (TINs) of the spouses.

For contributions made between January 1 and April 15, 2009, trusts and estates should obtain the participant’s designation of the year for which the contributions are made. If a rollover or trustee-to-trustee transfer is made from a traditional IRA to an IRA that is not a SIMPLE IRA and the no later than December 31 of the year. See Regulations section 1.414(v)-1. and W-2G.

Direct rollovers, transfers, and recharacterizations. You must report each direct rollover and transfer of a contained 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 3.

If a rollover or trustee-to-trustee transfer is made from a SIMPLE IRA to an IRA that is not a SIMPLE IRC and the trustee has adequately substantiated information that the participant has not satisfied the 2-year period specified in section 1.401(a)(9)-6 for RMDs from annuity contracts.

Recharacterizations. You must report each recharacterization of an IRA contribution. 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 transaction, 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 is required if a participant transfers a SIMPLE IRA to another SIMPLE IRA, a SEP IRA to another SIMPLE IRA or to a traditional IRA, or a Roth IRA to a Roth IRA. For reporting purposes, the contributions and rollovers do not include these transfers.

Catch-up contributions. Participants, who are age 50 or older by the end of the year, may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of $5,000 is increased to $6,000 for participants age 50 or older. Catch-up elective deferral contributions reported on Form 5498 may be made under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. 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 1.1414(v)-1.

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

Special reporting for 2008. 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 total amount converted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 3.

IRA revocation 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)(i)) 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 of the participant for the year. For information about reporting a distribution from a revoked or closed IRA, see IRA Revocation or Account Closure on page 2.

Total distributions. In general, if a total distribution was made from an account during the year and no contributions, including rollovers, recharacterizations, or Roth IRA conversions were made in 2008, you need not file Form 5498 nor furnish the annual statement to reflect that the FMV on December 31 was zero. You are required to file Form 5498 even if required minimum distributions (RMDs) are taken.

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 70 1/2. The distribution for the 70 1/2 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)(5), 408(b)(3), and 408(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 can use Alternative one for some IRA participants and Alternative two for the rest. Under both methods, the statement must inform the participant that you are reporting to the IRS that an RMD is required for the year. The statement can be provided in conjunction with the statement of the FMV.

If the IRA participant is deceased, and the surviving spouse is the sole beneficiary, special rules apply for RMD reporting. If the surviving spouse elects to treat the IRA as the spouse’s own, then 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 on Form 5498 the amount of the required minimum distribution for IRA participants (except where the surviving spouse elects to treat the IRA as the spouse’s own, as described above).

Under this method, the statement informs the participant of 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 must be calculated using 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 to compute the amount. See page 11 on page 15 for how to report.

Alternative one. Under this method, the statement informs the participant of 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 must be calculated using 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 to compute the amount. See page 11 on page 15 for how to report.

Electronic filing. These statements may be furnished electronically using the procedures described in part F of the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.
Reporting to the IRS. If an RMD is required, check box 11. See page 15. For example, box 11 is checked on the Form 5498 for a 2009 RMD. You are not required to report to the IRS the amount or the date by which the distribution must be made.


Inherited IRAs. In the year an IRA participant dies, you, as an IRA trustee or issuer, generally must file a Form 5498 and furnish an annual statement for each nonspouse beneficiary. An IRA holder must be the decedent’s executor or administrator. To the extent the participant was in the service of the Armed Forces in a designated combat zone or qualified hazardous duty area, the participant must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return. The participant may designate the IRA contribution for a prior year to claim it as a deduction on the income tax return. 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 for which the contribution was made or (2) a subsequent year.

1. If you report the contribution for the year it was made, no special rules apply. Include the contribution in the regular contribution due date of April 15 to make IRA 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 correct the Form 5498.

2. 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:
   a. Use "AF" (Allied Force) for the Kosovo area.
   b. Use "JE" (Joint Endeavor) for the Persian Gulf area.
   c. Use "EF" (Enduring Freedom) for Afghanistan, Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, Jordan, and Somalia.
   d. 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 2006, enter “EF 2006 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 May 28, 2006. 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 a qualified reservist distribution as described in section 72(h)(10)(A) in the blank box to the left of box 10 with indicator code "QR."

Electronic 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. 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 electronically and report the contributions made after the normal contribution due date on paper. You may also report prior year contributions made by combat zone participants on a corrected Form 5498 electronically or on paper.

See part F in the 2008 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 file 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 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G or Pub. 1220, if using electronically. For example, if you reported contributions as rollover contributions in box 2, and later discovered 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 February 2, 2009, you must provide participants with a statement of the December 31, 2008, value of the participant's designated zone or area plus at least 180 days. The participant must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return.

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.
Box 2. Rollover Contributions

To determine the RMD, see the regulations under employer SEP IRA contributions or SARSEP contributions. Check the box if the participant must take a required minimum distribution under alternative one, if you use Form 5498 to report recharacterized plus earnings from one type of IRA to another. Roth IRA. Check “Roth IRA” if you are filing Form 5498 to report information about a Roth IRA account. Enter any contributions made to a traditional IRA during 2008. Do not include contributions to 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 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 14. Box 6. Life Insurance Cost Included in Box 1 Enter the amount converted or reconverted from a traditional IRA to a Roth IRA during 2008. Do not include contributions to a SIMPLE IRA under a SEP plan in box 1. Also include any qualified rollover contribution, as defined in section 408A(e), from an eligible retirement plan (other than an IRA) to a Roth IRA. For the rollover of property, enter the FMV of the property on the date you receive it. That 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 2008. Do not include a rollover from one Roth IRA to another Roth IRA. Include this type of rollover in box 2. Box 8. SEP Contributions Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2008 including contributions made in 2008 but not including contributions made in 2008. Do not enter employee contributions to an IRA under a SEP plan. Report gross contributions, including the amount allocable to the cost of life insurance (see box 6) and including any excess contributions, even if the excess contributions were withdrawn. If an excess contribution is treated as a contribution in a subsequent year, do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution on Form 5499 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 $5,000 ($6,000 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 rollover conversions 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 2008. Include a direct rollover from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan. Also include any qualified rollover contribution, as defined in section 408A(e), from an eligible retirement plan (other than an IRA) to a Roth IRA. For the rollover of property, enter the FMV of the property on the date you receive it. That value may be different from the value of the property on the date it was distributed to the participant.
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