2010

Instructions for Forms 1099-R and 5498

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

What’s New

Truncating recipient’s/participant’s identification number on paper payee statements. Notice 2009-93 allows filers of Forms 1099-R and 5498 to truncate a recipient’s (Form 1099-R) or participant’s (Form 5498) identification number (social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN)) on the paper payee statement for tax years 2009 and 2010. See part M in the 2010 General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G).

Form 1099-R

Reporting IRA distributions. Unless otherwise directed throughout these instructions, report distributions from traditional, SEP, and SIMPLE IRAs in boxes 1 and 2a. Check box 2b “taxable amount not determined”. Distributions for qualified long-term care insurance contracts. Charges or payments, excludible from gross income under section 72(e)(11), made against the cash value of an annuity contract or the cash surrender value of a life insurance contract, for the purchase of qualified long-term care insurance contracts under combined arrangements, are reported in Box 1, with Distribution Code W in Box 7.

Explanation to recipients before rollover distributions (Section 402(f) Notice). Notice 2003-3 has been modified and superseded by Notice 2009-68, available at www.irs.gov/ibd/2009-39_IRB/ar14.html, which contains two safe harbor explanations which may be provided to recipients of eligible rollover distributions from an employer plan in order to satisfy section 402(f).

Mandatory 20% withholding for nonspouse rollover distributions. Effective January 1, 2010, eligible rollover distributions from an employer’s plan paid directly to a nonspouse beneficiary are subject to mandatory 20% withholding.

Form 5498

Additional contribution rules for 2004 and 2005. References to Additional contribution rules for 2004 and 2005 under Special reporting for U.S. Armed Forces in designated combat zones have been removed due to expiration of the provision on May 28, 2009.

Special reporting for 2009. References to catch-up contributions in Special reporting for 2009 and the reporting instructions for Boxes 15a and 15b have been removed due to expiration of this provision.

Reminders

In addition, see the 2010 General Instructions for Certain Information Returns 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 of profit-sharing or retirement plans, any individual retirement arrangements (IRAs), annuities, pensions, insurance contracts, survivor income benefit plans, permanent and total disability payments under life insurance contracts, charitable gift annuities, etc.

Also, report on Form 1099-R death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan. See box 1 on page 7.

Reportable disability payments made from a retirement plan must be reported on Form 1099-R. Generally, do not report payments subject to withholding of social security and Medicare taxes on this form. Report such payments on Form W-2, Wage and Tax Statement.

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

There is no special reporting for qualified health savings account (HSA) funding distributions described in section 408(d)(9) or for the payment of qualified health and long-term care insurance premiums for retired public safety officers described in section 402(f).

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

Governmental section 457(b) plans. Report on Form 1099-R, not Form W-2, income tax withholding and distributions from a governmental section 457(b) plan maintained by a state or local government employer. Distributions from a governmental section 457(b) plan to a participant or beneficiary include all amounts that are paid from the plan. For more information, see Notice 2003-20 which is on page 894 of Internal Revenue Bulletin 2003-19, at www.irs.gov/pub/irs-irsbs/irb03-19.pdf. Also see Section 457(b) plan distributions on page 11 for information on distribution codes.

Nonqualified plans. Report any reportable distributions from commercial annuities. Report distributions to employee plan participants from nonqualified deferred compensation plans including nongovernmental section 457(b) plans on Form W-2, not on Form 1099-R; for nonemployees, $10 or more of profit-sharing or retirement plan distributions. Also, report distributions to beneficiaries of deceased plan participants on Form 1099-MISC.

Section 404(k) dividends. Distributions of section 404(k) dividends from an employee stock ownership plan (ESOP),
including a tax credit ESOP, are reported on Form 1099-R. Distributions other than section 404(k) dividends from the plan must be reported on a separate Form 1099-R.


Charitable gift annuities. If cash or capital gain property is donated in exchange for a charitable gift annuity, report the payment as described in section 72(t) on the distribution form for a charitable gift annuity from the annuity on Form 1099-R. See Charitable gift annuities on page 8.

Life insurance, annuity, and endowment contracts. Report payments of matured or redeemed annuity, life insurance, and endowment contracts. However, you do not need to file Form 1099-R to report the surrender of a life insurance contract to the extent that none of the payment is includible in the income of the recipient. If you are reporting the surrender of a life insurance contract, see Code 7 on page 12.

Report premiums paid by a trustee or custodian for the cost of current life or other insurance protection. Costs of current life insurance protection are not subject to the 10% additional tax under section 72(t). See Cost of current life insurance protection on page 8.

Report charges or payments for a qualified long-term care insurance contract against the cash value of an annuity contract or the cash surrender value of a life insurance contract, which is excludible from gross income under section 72(t)(11). See Code W on page 13.

Section 1035 exchange. A tax-free section 1035 exchange is the exchange of (a) a life insurance contract for another life insurance contract or for an endowment annuity contract or for a qualified long-term care insurance contract; or (b) a contract of endowment insurance for another contract of endowment insurance that provides for regular payments to begin no later than they would have begun under the old contract, or for an annuity contract, or for a qualified long-term care insurance contract; or (c) an annuity contract for an annuity contract or for a qualified long-term care insurance contract; or (d) a qualified long-term care insurance contract for a qualified long-term care insurance contract or an annuity contract.

A contract shall not fail to be treated as an annuity contract or a life insurance contract solely because a qualified long-term care insurance contract is a part of or a rider on such contract. However, the distribution of other property or the cancellation of a contract loan at the time of the exchange may be taxable and reportable on a separate Form 1099-R.

These exchanges of contracts are generally reportable on Form 1099-R. However, reporting on Form 1099-R is not required if (a) the exchange occurs within the same company, (b) the exchange is solely a contract for contract exchange, as defined above, that does not result in a designated distribution, and (c) the company maintains adequate records of the policyholder’s basis in the contracts. For example, a life insurance contract issued by Company X received in exchange for another life insurance contract previously issued by Company X does not have to be reported on Form 1099-R as long as the company maintains the required records. See Rev. Proc. 1992-26, 1992-1 C.B. 744, for certain exchanges for which reporting is not required under section 6047(d). Also see Rev. Rul. 2007-24, 2007-21 I.R.B. 1282, available at www.irs.gov/irb/2007-21_IRBart15.html for certain transactions that do not qualify as tax-free exchanges. For more information on partial exchanges of annuity contracts, see Rev. Proc. 2008-24, 2008-13 I.R.B. 684, available at www.irs.gov/irb/2008-13_IRBart13.html.

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 participants to contribute 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(a)(17)-1(f) (Regulations section 1.403(b)-3(c) for a section 403(b) plan). Under the terms of the section 401(k) plan or section 403(b) plan the designated Roth, or 4057, or 457.

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

IRA Distributions

Mandatory 20% withholding for nonspouse rollover distributions. Effective January 1, 2010, eligible rollover distributions from an employer’s plan to a nonspouse beneficiary are subject to mandatory 20% withholding. Report the withholding in box 4.

For deemed IRAs under section 408(q), use the rules that apply to traditional IRAs or Roth IRAs as applicable. Simplified employee pension (SEP) IRAs and savings incentive match plan for employees (SIMPLE) IRAs, however, may not 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(q), the "deemed IRA" portion of the qualified employer plan subject is to the rules applicable to traditional and Roth IRAs, and not to those of the applicable plan under section 401(a), 403(a), 403(b), or 457.

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

IRA distributions other than Roth IRAs. Unless otherwise instructed, distributions from any IRA, except a Roth IRA, must be reported in boxes 1 and 2a. Check the "Taxable amount not determined" box in box 2b. But see:

- Traditional, SEP, or SIMPLE IRA on page 9 for how to report the withdrawal of IRA contributions under section 408(d)(4).
- Transfers on page 5 for information on trustee-to-trustee transfers, including recharacterizations,
- Reporting a corrective distribution from an IRA under section 408(d)(5) on page 9.
- Reporting IRA revocations or account closures due to Customer Identification Program failures on page 3, and
- Reporting a transfer from a SIMPLE IRA to a non-SIMPLE IRA within the first 2 years of plan participation on page 5.

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

An IRA includes all investments under one IRA plan or account. File only one Form 1099-R for distributions from all investments under one plan that are paid in 1 year to one recipient, unless you must enter different codes in box 7. You do not have to file a separate Form 1099-R for each distribution under the plan.
Roth IRAs. For distributions from a Roth IRA, report the gross distribution in box 1 but generally leave box 2a blank. Check the “Taxable amount not determined” box in box 2b. Enter Code J, Q, or T as appropriate in box 7. Do not use any other codes with Code Q or Code T. You may enter Code B or P with Code J. For the withdrawal of excess contributions, see Roth IRA on page 8. It is not necessary to mark the IRA/SEP/SIMPLE checkbox.

Roth IRA conversions. You must report a traditional, SEP, or SIMPLE IRA distribution that you know is converted or reconverted this year to a Roth IRA in boxes 1 and 2a (checking box 2b “taxable amount not determined” unless otherwise directed elsewhere in these instructions), even if the conversion is a trustee-to-trustee transfer or is with the same trustee. Enter Code 2 or 7 in box 7 depending on the party making the conversion. If 2010 conversions are generally taxable in 2011 and 2012, you must report the full amount converted on the 2010 Form 1099-R only. You do not have to issue Form 1099-R for any future year to report the 2010 conversion.

IRA Revocation or Account Closure

Direct Rollovers
You must report a direct rollover of an eligible rollover distribution. A direct rollover is the direct payment of the distribution from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan to a traditional IRA, Roth IRA, or other eligible retirement plan. For additional rules regarding the treatment of direct rollovers from designated Roth accounts, see Designated Roth accounts on page 4. A direct rollover may be made for the employee, for the employee’s surviving spouse, for an alternate payee under a qualified domestic relations order (QDRO) or for a nonspouse designated beneficiary, in which case the direct rollover can only be made to an inherited 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, 2007-5 I.R.B. 395, available at www.irs.gov/irb/2007-05_IRB/ar11.html for guidance on direct rollovers by nonspouse designated beneficiaries. See also Notice 2008-30, Part II, 2008-12 I.R.B. 638, available at www.irs.gov/irb/2008-12_IRB/ar11.html, which has been amplified and clarified by Notice 2009-75, available at www.irs.gov/irb/2009-09_IRB/ar15.html, for questions and answers covering rollover distributions to Roth IRAs.

Notice 2007-7 and Notice 2009-30 do not reflect changes made to section 402 by the Worker, Retiree, and Employer Recovery Act of 2008. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the employee (including net unrealized appreciated (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 period of 10 years or more.
2. An RMD (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)) and earnings.
5. Corrective distributions of excess contributions under a qualified cash or deferred arrangement (under section 401(k)) and excess aggregate contributions (under section 401(m)) and earnings.
6. Loans treated as deemed distributions (under section 72(p)). But plan loan offset amounts can be eligible rollover distributions. See Regulations section 1.402(c)-2, Q/A-9.
7. Section 404(k) dividends.
8. Cost of current life insurance protection.
9. Distributions to a payee other than the employee, the employee’s surviving spouse, a spouse or former spouse who is an alternate payee under a QDRO, or a nonspouse designated beneficiary.
10. Any hardship distribution.
11. A permissible withdrawal under section 414(w).
12. Prohibited allocations of securities in an S corporation that are treated as deemed distributions.
13. Distributions of premiums for accident or health insurance under Regulations section 1.402(a)-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 involuntary distributions that are more than....
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, unless the rollover is a direct rollover from a 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 is from one designated Roth account to another designated Roth account, enter Code 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) or
- A rollover contribution to a Roth IRA from an eligible retirement plan (other than an IRA) that meets the requirements of lump-sum distributions, the direct rollover option, and 8.

For a direct rollover of an eligible rollover distribution to a Roth IRA (other than from a designated Roth account), report the total amount 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 10.) Use Code G in box 7. If the direct rollover is made on behalf of a nonspouse designated beneficiary, also enter Code 4 in box 7. Even though a 2010 rollover is generally taxable in 2011 and 2012, you must report the full amount rolled over on the 2010 Form 1099-R only. You do not have to issue Form 1099-R for any future year to report the 2010 rollover.

**For reporting instructions for a direct rollover from a designated Roth account, see Designated Roth accounts on page 6 of this document.**
rollover distributions from an employer plan in order to satisfy section 402(f).

Involuntary distributions. For involuntary distributions paid to an IRA in a direct rollover (automatic rollover) you may satisfy the notification requirements of section 401(a)(31)(B)(i) either separately or as a part of the section 402(f) notice. The notification must be in writing and may be sent using electronic media in accordance with Q/A-5 of Regulations section 1.402(f)-1. Also see Notice 2005-5, Q/A-15.

Transfers

Generally, do not report a transfer between trustees or issuers that involves no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another IRA, valid transfers from one section 403(b) plan in accordance with paragraphs 1 through 3 of Regulations section 1.403(b)-10(b), or for the purchase of permissive service credit under section 403(b)(13) or section 457(e)(17) in accordance with paragraph 4 of Regulations section 1.403(b)-10(b) and Regulations section 1.457-10(b)(5). 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 plans (including governmental section 408A(e));
• IRA recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a distribution from 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 contributions 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, (zero) in box 2a, and Code R in box 7 if reporting a recharacterization of a prior-year (2009) contribution or Code N if reporting a recharacterization of a contribution in the same year (2010). It is not necessary to check the IRA/SEP/SIMPLE checkbox. For more information on how to report, see Notice 2000-30 on page 1266 of Internal Revenue Bulletin 2000-25 at www.irs.gov/pub/irs-ub/itb00-25.pdf.

Section 1033 exchange. You may have to report exchanges of insurance contracts, including an exchange under section 1035, under which any designated distribution may be made. For a section 1035 exchange that is in part taxable, file a separate Form 1099-R to report the taxable amount. See Section 1033 exchange on page 2.

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

Transfer of an IRA to spouse. If you transfer or re-designate an interest from one spouse’s IRA to an IRA for the other spouse under a divorce or separation instrument, the transfer or re-designation as provided under section 408(d)(6) is tax free. Do not report such a transfer on Form 1099-R.

Corrective Distributions

You must report on Form 1099-R corrective distributions of excess deferrals, excess contributions and excess aggregate contributions under section 401(a) plans, section 401(k) cash or deferred arrangements, section 403(a) annuity plans, section 403(b) salary reduction agreements, and salary reduction simplified employee pensions (SARSEPs) under section 408(k)(6). Excess contributions that are recharacterized under a section 401(k) plan are treated as distributed. Corrective distributions must include earnings through the end of the year in which the excess arose. These distributions are reportable on Form 1099-R and are generally taxable in the year of the distribution (except for excess deferrals under section 402(g)). Enter Code 8, P, or in some cases D, in box 7 (with Code B if applicable) to designate the distribution and the year it is taxable.

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

The total amount of the elective deferral is reported in the section 401(k) plan W-2. See the Instructions for Forms W-2 and W-3 for more information.

For more information about reporting corrective distributions see: the Guide to Distribution Codes on pages 12 and 13 of Notice 2009-32, 1989-1 C. B. 671; Notice 88-33, 1988-1 C. B. 513; Notice 87-77, 1987-2 C. B. 385; and the Regulations under sections 401(k), 401(m), 401(g), and 457.

Excess deferrals. Excess deferrals under section 402(g) can occur in section 401(k) plans or section 403(b) plans or SARSEPs. If distributed by April 15 of the year following the year of deferral, the excess is taxable in the participant’s income in the year of deferral. If distributed after April 15, the excess is taxable in the year of deferral and the year the distribution was made. The earnings are taxable in the year distributed. For a SARSEP, if the distribution occurs after April 15, the excess is taxable in the year of deferral and the year the distribution was made. The earnings are taxable in the year distributed. For a SARSEP, excess deferrals not withdrawn by April 15 are considered regular IRA contributions subject to the IRA contribution limits. Corrective distributions of excess deferrals are not subject to federal income tax withholding or social security and Medicare taxes. For losses on excess deferrals, see Losses below. See the regulations under section 457 for special rules for excess deferrals under governmental section 457(b) plans.

Excess contributions. Excess contributions can occur in a section 401(k) plan or a SARSEP. All distributions of the excess contributions plus earnings (other than designated Roth contributions), including recharacterized excess contributions plus earnings, are taxable to the participant in the year of distribution. Report the gross distribution in box 1 of Form 1099-R. In box 2a, enter the excess contribution and earnings (under section 457) taxable to the participant plus any designated Roth contributions. For a SARSEP, the employer must notify the participant by Notice 15 of the year after the year the excess contribution was made that the participant must withdraw the excess and earnings. All distributions from a SARSEP are taxable in the year of distribution. An excess contribution not withdrawn by April 15 of the year after the year of notification is considered a regular IRA contribution subject to the IRA contribution limits.

Excess aggregate contributions. Excess aggregate contributions under section 401(m) can occur in section 401(a), section 401(k), section 403(a), and section 403(b) plans. An excess distribution of excess aggregate contributions plus earnings is taxable to the participant in the year the distribution was made. Report the gross distribution in box 1 of Form 1099-R. In box 2a, enter the excess and earnings distributed less any after-tax contributions.

Losses. If a corrective distribution of an excess deferral is made in a year after the year of deferral and a net loss has been allocated to the excess deferral, report the corrective distribution amount in boxes 1 and 2a of Form 1099-R for the year of the distribution with the appropriate distribution code in box 7. If the excess deferrals consist of designated Roth contributions, report the corrective distribution amount in box 1, (zero) in box 2a, and the appropriate distribution code in box 7. However, taxpayers must include the total amount of the excess deferral (unadjusted for loss) in

Instructions for Forms 1099-R and 5498 (2010)
income in the year of deferral, and they may report a loss on the tax return for the year the corrective distribution is made.

**Distributions under Employee Plans Compliance Resolution System (EPCRS)**


At the time these instructions were printed to print, a new EPCRS revenue procedure, which superseded Rev. Proc. 2008-50, had not been issued. Go to the IRS website at www.irs.gov and type “EPCRS” in the search box to obtain updated information.

Distributions to correct a section 415 failure are not eligible for rollover distributions although they are subject to federal income tax withholding under section 3405. They are not subject to social security, Medicare, or Federal Unemployment Tax Act (FUTA) taxes. In addition, such distributions are not subject to the 10% early distribution tax under section 72(t).

You may report the distribution of elective deferrals (other than designated Roth contributions) and employee contributions (and earnings 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 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 contributions) plus earnings, enter the gross distribution in box 1, the earnings attributable to the employee contributions (or designated Roth contributions) being returned in box 2a, and the employee contributions (or designated Roth contributions) being returned in box 5. Enter Code E in box 7. For more information, see Rev. Proc. 92-93, 1992-2 C.B. 505.

Similar rules apply to other corrective distributions under EPCRS. Also, special Form 1099-R reporting is available for certain plan loan failures. See Rev. Proc. 2008-50 for details.

**Failing the ADP or ACP Test After a Total Distribution**

If you make a total distribution in 2010 and file a Form 1099-R with the IRS and then discover in 2011 that the plan failed either the section 401(k)(3) actual deferral percentage (ADP) test for 2010 and you compute excess contributions or the section 401(m)(2) actual contribution percentage (ACP) test and you compute excess aggregate contributions, you must recharacterize part of the total distribution as excess contributions or excess aggregate contributions. First, file a CORRECTED Form 1099-R for 2010 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 2010 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, Annually Transmitted U.S. Information Returns, the words “Filed To Correct Excess Contributions.”

You must also issue copies of the Forms 1099-R to the plan participant with an explanation of why these new forms are being issued. ADP and ACP test corrections are exempt from the 10% early distribution tax under section 72(t).

**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 amount does not exceed the limits in section 72(t)(2)(A) (maximum limit is equal to the lesser of 50% of the vested account balance or $50,000).
4. The loan amount does not exceed the limits in section 72(t)(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 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 taxation rules of section 72, including tax basis rules. The distribution also may be subject to the 10% early distribution tax under section 72(t). It is not eligible to be rolled over to an eligible retirement plan nor is it eligible for the 10-year tax option. On Form 1099-R, complete the appropriate boxes, including boxes 1 and 2a, and enter Code L in box 7. Also, enter Code 1 or Code B, if applicable.

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

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

**Subsequent repayments**

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

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

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

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

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

- The distribution (except to the extent the distribution consists of designated Roth contributions) is 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 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 SSNs of the missing individuals. However, the IRS cannot disclose individuals’ addresses or give confirmation of delivery for undelivered letters or packages.

For further information, see Rev. Proc. 94-22, 1994-1 C.B. 608, or contact your IRS office.

Corrected Form 1099-R

If you filed a Form 1099-R with the IRS and later discover that there is an error on it, you must correct it as soon as possible. For example, if you transmit a direct rollover and file a Form 1099-R with the IRS reporting that none of the distribution is taxable, you are not required to file Form 941 to report any federal taxes withheld. If you then discover that part of the direct rollover consists of nontaxable amounts, enter Code 4 in box 7.

Nonresident Aliens

Nonresidents should report forms submitted to Form 1099-R using the name and TIN of the employee. For section 1035 exchanges that are reportable on Form 1099-R, enter the name and TIN of the former spouse of the employee under a QDRO, if applicable.

Filer

The payer, trustee, or plan administrator must file Form 1099-R using the same name and employer identification number (EIN) used to deposit any tax withheld and to file Form 941. Include in box 2a the total premiums paid in box 5, and enter Code 6 in box 7.

Beneficiaries

If you make a distribution to a beneficiary, trust, or estate, 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 is made before the account is distributed to a beneficiary or segregated in a separate account. A qualified disclaimer may be made after the beneficiary has previously received the RMD for the year of the decedent’s death.

In addition to reporting distributions to beneficiaries of deceased employees, report here any death benefit distributions to an alternate payee. If the alternate payee under a QDRO is a nonspouse, enter 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 alternate payee. If the alternate payee under a QDRO is a nonspouse, enter 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 alternate payee. If the alternate payee under a QDRO is a nonspouse, enter the name and TIN of the alternate payee.

Nonresident Aliens

If income tax is withheld under section 4045 on any distribution to a nonresident alien, report the distribution and withholding on Form 1099-R. Also file Form 1099-R and report the withholding. See the Presumption Rules in part S of the 2010 General Instructions for Certain Information Returns.

However, any payments to a nonresident alien from any trust under section 401(a), any annuity plan under section 403(a), any annuity, custodial account, or retirement income account under section 403(b), or any IRA account under section 408(a) or (b) are subject to withholding under section 1441, unless there is an exception under a tax treaty. Report the distribution and withholding on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding.

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

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 required statement, see Section M in the 2010 General Instructions for Certain Information Returns.

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

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-R. Additionally, the IRS encourages you to designate an account number for all Forms 1099-R that you file. See part L in the 2010 General Instructions for Certain Information Returns.

Box 1. Gross Distribution

Enter the total amount of the distribution before income tax or other deductions were withheld. Include direct rollovers, IRA rollovers to accepting employer plans, premiums paid by a trustee or custodian for the cost of current life or other insurance contracts, and net distributions from qualified insurance contracts under combined arrangements. Enter Code W in box 7.

In addition to reporting distributions to beneficiaries of deceased employees, report here any death benefit distributions to an alternate payee. If the alternate payee under a QDRO is a nonspouse, enter 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 alternate payee. If the alternate payee under a QDRO is a nonspouse, enter 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 alternate payee. If the alternate payee under a QDRO is a nonspouse, enter the name and TIN of the alternate payee.

Nonresident Aliens

If income tax is withheld under section 4045 on any distribution to a nonresident alien, report the distribution and withholding on Form 1099-R. Also file Form 1099-R and report the withholding. See the Presumption Rules in part S of the 2010 General Instructions for Certain Information Returns.

However, any payments to a nonresident alien from any trust under section 401(a), any annuity plan under section 403(a), any annuity, custodial account, or retirement income account under section 403(b), or any IRA account under section 408(a) or (b) are subject to withholding under section 1441, unless there is an exception under a tax treaty. Report the distribution and withholding on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding.
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 9.

Box 2a. Taxable Amount

When determining the taxable amount to be entered in Box 2a, use the portion of the $3,000 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(i).

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 reported in boxes 5, 6, and 8. Enter 0 (zero) in box 2a for:

- A direct rollover (other than a qualified rollover contribution under section 408A(e)) from a qualified plan (including a governmental section 457(b) plan); a section 403(b) plan, or a rollover from a designated Roth account into a Roth IRA.
- A traditional, SEP, or SIMPLE IRA directly transferred to an accepting employer plan.
- An IRA recharacterization, or
- An exchange of annuity payments under section 1035 of life insurance, annuity, or endowment contracts.
- A nontaxable charge or payment, for the purchase of a qualified long-term care insurance contract, against the cash value of an annuity contract or the cash surrender value of a life insurance contract.

For more information on qualified rollover contributions under section 408A(e), see Qualified rollover contributions as defined in section 408A(e) on page 4.

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. 686, and Pub. 575, Pension and Annuity Income, to help you figure the taxable amount to enter in box 2a.

Annuity starting date after November 18, 1996, and before 1998. Under the simplified method for figuring the taxable amount, the expected number of payments is based only on the primary annuitant’s age on the annuity starting date. See Notice 98-2.

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, nonqualified contributions, or excess aggregate contributions (other than employee contributions or designated Roth contributions). See Corrective Distributions on page 5.

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

DVECs. Include DVEC distributions in this box. Also see Deducible Volunteer Employee Contributions (DVECs) 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 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 $.500). The nontaxable portion of the distribution is $4,700 ($9,400/$10,000 x $.500). 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 B; and
- The first year of the 5-taxable-year period in the box to the left of box 10.

Using the same facts as in the example 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, $300 as the taxable amount;
- Box 4, $60 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.

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 contributions, enter the value of the stock in box 1, leave box 2a blank, and enter the employee’s contributions or designated Roth contributions in box 1.

For a plan with no after-tax contributions or designated Roth 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/or 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 3) and a recharacterization (see page 5). Use Code J, Q, or T as appropriate in box 7. Use Code B or P, if applicable, in box 7 with Code J. Do not combine Code Q or T with any other codes.

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 8 or P in box 7.

Roth IRA conversions. Report the total amount converted or reconverted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 2a. Check the "Taxable amount not determined" box in box 2b. A conversion or reconversion is considered a distribution and must be reported even if it is with the same trustee and even if the conversion is done by a trustee-to-trustee transfer. 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 also applies when a traditional IRA holds an annuity contract as an account asset and the

-8-

Instructions for Forms 1099-R and 5498 (2010)
traditional IRA is converted to a Roth IRA. Determining the FMV of an individual retirement annuity issued by a company regularly engaged in the selling of contracts depends on the timing of the conversion as outlined in Q/A-14 of Regulations section 1.408A-4.

For a Roth IRA conversion, use Code 2 in box 7 if the participant is under age 59½ or Code 7 if the participant is at least age 59½. Also check the IRA/SEP/SIMPLE box in box 6.

Traditional, SEP, or SIMPLE IRA. Generally, you are not required to compute the taxable amount of a traditional, SEP, or SIMPLE IRA nor designate whether any part of a distribution is from a rollover distribution of nondeductible contributions. Therefore, except as provided below or elsewhere in these instructions, report the total amount distributed from a traditional, SEP, or SIMPLE IRA in box 2a. This will be the same amount reported in box 1. 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, when 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 8 or P, whichever is applicable, 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 or a SEP IRA directly rolled over to an accepting employer plan after the 2-year period (see section 72(t)(6)), 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 date needed to compute the taxable amount. If you check this box, leave box 2a blank, but see Traditional, SEP, or SIMPLE IRA, above. Except for IRAs, make every effort to compute the taxable amount.

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 1 the total amount distributed during the year. Report in box 2a the taxable amount. Advise the annuity recipient of any amount in box 3 subject to the 28% rate gain for collectibles and any unreaptured section 1250 gain. Report in box 5 any nontaxable amount. Enter Code F in box 7. See Regulations section 1.1011-2(c), Example 6.

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 and section 6411(f)(3) of the Economic Growth and Tax Relief Reconciliation Act of 2001. Enter the full amount eligible for the capital gain election. You should not complete this box for a direct rollover.

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

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

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

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

Step 1. Total Taxable Amount

A. Total distribution

B. Less:

1. Current actuarial value of any annuity

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

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

C. Total of lines 1 through 3

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

Step 2. Capital Gain

Total taxable amount

Line D

X

Months of active participation before 1974

= Capital gain

Total months of active participation

Box 4. Federal Income Tax Withheld

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

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

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

To determine your withholding requirements for any designated distribution under section 3405, you must first determine whether the distribution is an eligible rollover distribution. See Direct Rollovers on page 3 for a discussion of eligible rollover distributions. If the distribution is not an eligible rollover distribution, the rules for periodic payments or nonperiodic distributions apply. For purposes of withholding, distributions from any IRA are not eligible rollover distributions.

Eligible rollover distribution; 20% withholding. If an eligible rollover distribution is paid directly to an eligible retirement plan in a direct rollover, do not withhold federal income tax. If any part of an eligible rollover distribution is not a direct rollover, you must withhold 20% of the part that is paid to the recipient and includible in gross income. This includes the earnings portion of any nonqualified designated Roth account distribution that is not directly rolled over.
recipient cannot claim exemption from the 20% withholding but may ask to have additional amounts withheld on Form W-4P. Withholding Certificate for Pension or Annuity Payments. If the recipient is not asking that additional amounts be withheld, Form W-4P is not required for an eligible rollover distribution because 20% withholding is mandatory. If a 2006 RMD is distributed between January 1, 2010, and April 1, 2010 (for example, to a participant who turned 70½ in 2006 but delayed taking the 2009 RMD until April 1, 2010), the mandatory 20% withholding applies to that distribution unless it is not an eligible rollover distribution for some other reason. See Notice 2009-62, available at www.irs.gov/irb/2009-41_IRB/ar12.html.

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

The payer is required to withhold 20% of eligible rollover distributions from a qualified plan’s distributed annuity and on eligible rollover distributions from a governmental section 457(b) plan. Any NUA excludeable from gross income under section 402(e)(4) is not included in the amount of any eligible rollover distribution that is subject to 20% withholding.

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

IRAs. The 20% withholding does not apply to distributions from any IRA, but withholding does apply to IRAs under the rules for periodic payments and nonperiodic distributions. For withholding, assume that the entire amount of an IRA distribution is taxable (except for the distribution of contributions under section 408(d)(4), in which only the tax-free amount each year. See \textit{Circular E}, Employer’s Tax Guide (Pub. 15), for wage withholding tables.

Nonperiodic distributions. Withhold 10% of the taxable part of a nonperiodic distribution that is not an eligible rollover distribution. In most cases, designated distributions from any IRA are treated as nonperiodic distributions subject to withholding at the 10% rate even if the distributions are paid over a periodic basis. See Regulations section 35.3405-1T, Q&A-F-14. The recipient may request additional withholding on Form W-4P or claim exemption from withholding. If a recipient does not submit a Form W-4P, withholding by the recipient as married with three earnings is taxable, and section 408(d)(5), as applicable). For reporting charitable gift annuities, see Notice 89-25, Q/A-1, 1989-1 C.B. 662. You are encouraged to, report in box 5. From a governmental section 457(b) plan. nonqualified commercial annuities, enter in box 5 the employee contributions or insurance premiums recovered tax free during the year based on the method you used to determine the taxable amount to be entered in box 2a. On a separate Form 1099-R, include the portion of the employee’s basis that has been distributed from a designated Roth account. See the Examples in the instructions for box 2a on page 8.

If periodic payments began before 1993, you are not required to, but you are encouraged to, report in box 5. 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 8.

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

If you are unable to reasonably obtain the data necessary to compute the taxable amount, leave boxes 2a and 5 blank, and check the first 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 \textit{Charitable gift annuities} on page 9.

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

Use this box if a distribution from a qualified plan (except a qualified distribution from a designated Roth account) includes securities of the employer corporation (or a subsidiary or parent corporation) and you can compute the NUA in the employer’s securities. Enter all the NUA in employer securities if this is a lump-sum distribution. If this is not a lump-sum distribution, enter only the NUA in employer securities attributable to employee contributions. See Regulations section 1.402(a)(16) for the determination of the NUA. Also see Notice 89-25, Q/A-1, 1989-1 C.B. 662. Include the NUA in box 1 but not in box 2a except in the case of a direct rollover to a Roth IRA (See Notice 2009-75, Q/A 1). You do not have to complete this box for a direct rollover.

Box 7. Distribution Code(s)
Enter an “X” in the IRA/SEP/SIMPLE checkbox if the distribution is from a traditional IRA, SEP IRA, or SIMPLE
IRA. It is not necessary to check the box for a distribution from a Roth IRA or for an IRA recharacterization.

**Enter the appropriate code(s) in box 7.** Use the Guide to Distribution Codes on pages 12 and 13 to determine the appropriate code(s) to enter in box 7 for any amounts reported on Form 1099-R. Read the codes carefully and enter them accurately because the IRS uses the codes to help determine whether the recipient has properly reported the distribution. If the codes you enter are incorrect, the IRS may improperly propose changes to the recipient’s taxes.

When applicable, enter a numeric and an alpha code. For example, when using Code 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, or on behalf of a nonspouse designated beneficiary, 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 12 and 13 for allowable combinations. Only three numeric combinations are permitted on one Form 1099-R: Codes 8, 1, and 2, or 8, 4, and 8. If two or more other numeric codes are applicable, you must file more than one Form 1099-R. If part of a series of substantially equal periodic payments 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 P to indicate the year the amount is taxable.

Even if the employee/taxpayer is age 59½ or over, use Code 1 if a series of substantially equal periodic payments was modified within 5 years of the date of the first payment (within the meaning of section 72(q)(3) or (4)), if you have been reporting distributions in previous years using Code 2. 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 you do not know that the taxpayer meets the requirements for substantially equal periodic payments under section 72(t)(2)(A)(iv), use Code 1 to report the payments.


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

**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)(5). 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.

Also, enter in box 8 the amount of the reduction in the cash value of an annuity contract or the cash surrender value of a life insurance contract due to charges or payments for qualified long-term care insurance contracts.

**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 contributions, do not include any amounts recovered tax free in prior years. For a total distribution, report the total employee contributions or designated Roth 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 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>Notes</th>
</tr>
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<tbody>
<tr>
<td>1—Early distribution, no known exception.</td>
<td>Use Code 1 only if the employee/taxpayer has not reached age 59½, and you do not know if any of the exceptions under Distribution Code 2, 3, or 4 apply. Use Code 1 even if the distribution is made for medical expenses, health insurance premiums, qualified higher education expenses, a first-time home purchase, or a qualified reservist distribution under section 72(t)(2)(B), (D), (E), (F), or (G). Code 1 must also be used even if a taxpayer is 59½ or older and he or she modifies a series of substantially equal periodic payments under section 72(q), (I), or (V) prior to the end of the 5-year period.</td>
<td>B, D, L, or P</td>
</tr>
</tbody>
</table>
| 2—Early distribution, exception applies. | Use Code 2 only if the employee/taxpayer has not reached age 59½ and you know 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 11 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), (I), (U), 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), (I), (U), or (V) that is not required to be reported using Code 1, 3, or 4. | B, D, or P |
| 3—Disability. | For these purposes, see section 72(m)(7). | None |
| 4—Death. | Use Code 4 regardless of the age of the employee/taxpayer to indicate payment to a decedent’s beneficiary, including an estate or trust. Also use it for death benefit payments made by an employer but not made as part of a pension, profit-sharing, or retirement plan. | B, A, B, D, G, H, L, or P |
| 5—Prohibited transaction. | Use Code 5 if there was a prohibited transaction involving the account. Code 5 means the account is no longer an IRA. | None |
| 6—Section 1035 exchange. | Use Code 6 to indicate the tax-free exchange of life insurance, annuity, long-term care insurance, or endowment contracts under section 1035. | W |
| 7—Normal distribution. | Use Code 7: (a) for a normal distribution from a plan, including a traditional IRA, section 401(k), or section 403(b) plan, if the employee/taxpayer is at least age 59½. (b) for a Roth IRA conversion if the participant is at least age 59½, and (c) to report a distribution from a life insurance, annuity, or endowment contract and for reporting income from a failed life insurance contract under sections 7702(g) and (h). See Rev. Proc. 2008-42, available at www.irs.gov/irb/2008-29_IRB/ar19.html. Use Code 7 with Code A, if applicable. Generally, use Code 7 if no other code applies. Do not use Code 7 for a Roth IRA. **Note:** Code 1 must be used even if a taxpayer is 59½ or older and he or she modifies a series of substantially equal periodic payments under section 72(q), (I), (U), or (V) prior to the end of the 5-year period. | A |
| 8—Excess contributions plus earnings/ excess deferrals (and/or earnings) taxable in 2010. | 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 5 and IRA Revocation or Account Closure on page 3 for more information. | 1, 2, 4, B, or J |
| 9—Cost of current life insurance protection. | Use Code 9 to report premiums paid by a trustee or custodian for current life or other insurance protection. See box 2a on page 8 for more information. | None |
| A—May be eligible for 10-year tax option. | Use Code A only for participants born before January 2, 1936, or their beneficiaries to indicate the distribution may be eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on Form 4972, Tax on Lump-Sum Distributions). To determine whether the distribution may be eligible for the tax option, you need not consider whether the recipient used this method (or capital gain treatment) in the past. | 4 or 7 |
| B—Designated Roth account distribution. | Use Code B for a distribution from a designated Roth account that is not a qualified distribution. But use Code E for a section 415 distribution under EPCRS. | 1, 2, 4, D, G, L, P, or U |
Guide to Distribution Codes

<table>
<thead>
<tr>
<th>Distribution Codes</th>
<th>Explanations</th>
<th>*Used with code ...(if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D—Excess contributions plus earnings/ excess deferrals taxable in 2008.</td>
<td>See the explanation for Code 8. Generally, do not use Code D for an IRA distribution under section 408(d)(4) or 408(d)(5).</td>
<td>1, 2, 4, or B</td>
</tr>
<tr>
<td>E—Distributions under Employee Plans Compliance Resolution System (EPCRSS).</td>
<td>See Distributions under Employee Plans Compliance Resolution System (EPCRSS) on page 6.</td>
<td>None</td>
</tr>
<tr>
<td>F—Charitable gift annuity.</td>
<td>See Charitable gift annuities on page 9.</td>
<td>None</td>
</tr>
<tr>
<td>G—Direct rollover and rollover contributions.</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 IRA rollover contributions to an accepting employer plan. Note: 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 6.</td>
<td>1, 4, or B</td>
</tr>
<tr>
<td>N—Recharacterized IRA contribution made for 2010.</td>
<td>Use Code N for a recharacterization of an IRA contribution made for 2010 and recharacterized in 2010 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 2009.</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 59½, ● The participant died, or ● The participant is disabled. Note: If any other code, such as 8 or P, applies, use Code J.</td>
<td>None</td>
</tr>
<tr>
<td>R—Recharacterized IRA contribution made for 2009.</td>
<td>Use Code R for a recharacterization of an IRA contribution made for 2009 and recharacterized in 2010 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/taxpayer has not reached age 59½, 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 59½, ● The participant died, or ● The participant is disabled. Note: If any other code, such as 8 or P, applies, use Code J.</td>
<td>None</td>
</tr>
<tr>
<td>U—Dividends distributed from an ESOP under section 404(k).</td>
<td>Use Code U for a distribution of dividends from an employee stock ownership plan (ESOP) under section 404(k). These are not eligible rollover distributions. Note: Do not report dividends paid by the corporation directly to plan participants or their beneficiaries. Continue to report those dividends on Form 1099-DIV.</td>
<td>8</td>
</tr>
<tr>
<td>W—Charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements.</td>
<td>Use Code W for charges or payments, for purchasing qualified long-term care insurance contracts under combined arrangements, which are excludible under section 7702(b)(11) against the cash value of an annuity contract or the cash surrender value of a life insurance contract.</td>
<td>6</td>
</tr>
</tbody>
</table>

*See the first Caution for box 7 instructions on page 11.
Specific Instructions for Form 5498

File Form 5498, IRA Contribution Information, with the IRS by May 31, 2011, for each person for whom in 2010 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, each Form 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, 5, 6, 7, 8, 9, 10, 11, 12a, and 12b for how to report contributions. If a participant elects to treat an IRA as the spouse’s own, then you must report the contributions made for 2010 on Form 5498 and check the box for the spouse’s own IRA.

Direct rollovers, transfers, and recharacterizations. You must report the receipt of a direct rollover from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan to an IRA. Report a direct rollover in box 2. For information on direct rollovers of eligible rollover distributions, see Direct Rollovers on page 3.

If a rollover or trustee-to-trustee transfer is made from an IRA to an IRA, you are not a SIMPLE IRA and the trustee has adequately substantiated information that the participant has satisfied the 2-year period specified in section 72(t)(6), report the amount as a regular contribution in box 1 even if the amount exceeds $5,000 ($6,000 for participants age 50 or older).

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

Recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The recharacterization may be made with the same trustee or with another trustee. If the participant of the first IRA must report the amount contributed before the recharacterization as a contribution on Form 5498 and the recharacterization as a distribution on Form 1099-R. The trustee of the second IRA must report the amount received (FMV) in box 4 on Form 5498 and check the type of IRA in box 7.

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

Catch-up contributions. Participants who are age 50 or older by the end of the year may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of $5,000 is increased to $6,000 for participants age 50 or older. Catch-up elective deferral contributions reported on Form 5498 must be made under 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 plan begins with a rollover or conversion, SEP IRA, or SIMPLE IRA contributions to the Roth IRA, you must file Form 5498 even if required contributions were made for 2010, complete only boxes 5 and 7, and boxes 11, 12a, and 12b, if applicable.

You are required to file Form 5498 even if required contributions were made for 2010, complete only boxes 5 and 7, and boxes 11, 12a, and 12b, if applicable.

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

You must report contributions to any IRA on Form 5498. See the instructions under boxes 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12a, and 12b for how to report contributions. If a participant elects to treat an IRA as the spouse’s own, then you must report the contributions made for 2010 on Form 5498 and check the box for the spouse’s own IRA.

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

For each IRA you held as of December 31 of the prior year, if an RMD is required for the year, you must provide a statement to the IRA participant by January 31 regarding the RMD using one of the following 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 remainder. Under SEP (SARSEP) or under a SIMPLE IRA plan. For 2010, up to $5,500 in catch-up elective deferral contributions may be made under a SARSEP, and up to $2,500 to a SIMPLE IRA plan. For more information on catch-up elective deferral contributions, see Regulations section 1.414(v)-1.

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

Alternative one. Under this method, include in the statement the amount of the RMD with respect to the IRA for the calendar year and the date by which the distribution must be made. The amount may be calculated assuming the sole beneficiary of the IRA is not a spouse more than 10 years younger than the participant. Use the value of the account as of December 31 of the prior year to compute the amount. See boxes 11, 12a, and 12b, on page 17 for how to report.

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

**Electronic filing.** These statements may be furnished electronically following the procedures described in Part F of the 2010 General Instructions for Certain Information Returns.

**Reporting to the IRS.** If an RMD is required, check box 11. See page 17. For example, box 11 is checked on the Form 5498 for a 2011 RMD. You are not required to report to the IRS the amount or the date by which the distribution must be made. However, see the Caution on page 17 for using boxes 12a and 12b for reporting RMDs to participants.


**Inherited IRAs.** In the year an IRA participant dies, you, as an IRA trustee or issuer, generally must file a Form 5498 and furnish an annual statement for the decedent and a Form 5498 and an annual statement for each nonspouse beneficiary. An IRA holder must be able to identify the source of each IRA he or she holds for purposes of figuring the taxation of a distribution from an IRA, including exclusion from current year gross income as an eligible rollover distribution under section 402(c). Thus, the decedent’s name must be shown on the beneficiary’s Form 5498 and annual statement. For example, you may enter “Brian Willow as trustee for JoAnn Maple” on the Form 5498 for each beneficiary. In that case, you may abbreviate the word “beneficiary” as, for example, “bne.”

For a spouse beneficiary, unless the spouse makes the IRA his or her own, treat the spouse as a nonspouse beneficiary for reporting purposes. If the spouse makes the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

An IRA set up to receive a direct rollover for a nonspouse designated beneficiary is treated as an inherited IRA. The fair market value (FMV) on the decedent’s Form 5498 and annual statement, you must enter the FMV of the IRA on the date of death in box 5. Or you may choose the alternate reporting method and report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because you will be reporting the end of year valuation on the beneficiary’s Form 5498 and annual statement. The same figure should not be shown on both the beneficiary’s and decedent’s forms. If you choose to report using the alternate method, you must inform the executor or administrator of the decedent’s estate of his or her right to request a date-of-death valuation.

On the beneficiary’s Form 5498 and annual statement, enter the FMV of that beneficiary’s share of the IRA as of the end of the year must be shown in box 5. Every year thereafter that the IRA exists, you must file Form 5498 and furnish an annual statement for each beneficiary who has not received a total distribution of his or her share of the IRA showing the FMV at the end of the year and identifying the IRA as described above.

However, if a beneficiary takes a total distribution of his or her share of the IRA in the year of death, you need not file a Form 5498 nor furnish an annual statement for that beneficiary, but you must still file Form 5498 for the decedent.

If you have no knowledge of the death of an IRA participant until after you are required to file Form 5498 (May 31), you are not required to file a corrected Form 5498 nor furnish a corrected annual statement. However, you must still provide the date-of-death valuation in a timely manner to the executor or administrator upon request.

For more information about the reporting requirements for inherited IRAs, see Rev. Proc. 89-52, 1989-2 C.B. 632.

**Disaster relief reporting.** Special tax law provisions and reporting instructions may apply when the president declares a location to be a major disaster area. To determine the location of and special rules applicable to individual federally declared disaster areas, go to www.irs.gov and enter the keyword “disaster” in the upper right hand corner. Then click on “Tax Relief in Disaster Situations.” The information provided includes:

- A list of the areas for which relief has recently been granted
- News Releases detailing the scope of the relief and any special reporting instructions, and
- A link to the Federal Emergency Management Agency’s list of federal disaster declarations.

See the instructions for Box 13a through Box 13c for reporting postponed contributions on page 17.

**Qualified settlement income.** Qualified settlement income received in connection with the Exxon Valdez litigation may be contributed to an IRA. For more information see Rev. Proc. 89-52, 1989-2 C.B. 632.


**Box 13a.** Inherited IRAs.


**Box 13b.** Armed Forces’ Tax Guide, for a list of the locations within the Armed Forces’ Tax Guide, for a list of the locations within the Armed Forces’ Tax Guide for special tax law provisions.

**Box 13c.** Areas (the Persian Gulf, the Red Sea, the Gulf of Oman, the United Arab Emirates and the airspace above such locations). If you have no knowledge of the death of an IRA participant, you may abbreviate the word “beneficiary” as, for example, “bne.”

If a qualifying combat zone participant makes a contribution to an IRA after April 15 and designates the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

A participant who is serving in or in support of the Armed Forces in a designated combat zone or qualified hazardous duty area has an additional period after the normal contribution due date of April 15 to make IRA contributions for a prior year. The period is the time the participant was in the 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), combat zone compensation that is excluded from gross income under section 112 is treated as in includible compensation for purposes of determining IRA contributions.


**Box 13d.** Airline payment amount.

**Box 14.** Qualified settlement income.


**Box 15.** Fair market value (FMV).

**Box 16.** Inherited IRAs.


**Box 17.** Armed Forces’ Tax Guide, for a list of the locations within the Armed Forces’ Tax Guide for special tax law provisions.

**Box 18.** Areas (the Persian Gulf, the Red Sea, the Gulf of Oman, the United Arab Emirates and the airspace above such locations). If you have no knowledge of the death of an IRA participant, you may abbreviate the word “beneficiary” as, for example, “bne.”

If a qualifying combat zone participant makes a contribution to an IRA after April 15 and designates the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

A participant who is serving in or in support of the Armed Forces in a designated combat zone or qualified hazardous duty area has an additional period after the normal contribution due date of April 15 to make IRA contributions for a prior year. The period is the time the participant was in the 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), combat zone compensation that is excluded from gross income under section 112 is treated as includible compensation for purposes of determining IRA contributions.


**Box 19.** Airline payment amount.

**Box 20.** Qualified settlement income.

Information Returns. report information about a SIMPLE IRA account. Do not file. See part L in the 2010 General Instructions for Certain

Military death gratuities and SGLI payments. Participants of military death gratuities and SGLI payments may contribute amounts received to a Roth IRA, up to the amount of the gratuity or SGLI payment less any amounts contributed to Coverdell ESAs. Report the amount of the rollover contribution in box 2 only. See section 408A(e)(2), and Notice 2010-15, available at www.irs.gov/irb/2010-06_IRB/ar09.html, for more information on limitations.

Electronic files. 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 by combat zone participants on a corrected Form 5498 electronically or on paper.

See part F in the 2010 General Instructions for Certain Information Returns 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 2010 General Instructions for Certain Information Returns or Pub. 1220, if filing electronically. For example, if you reported contributions as a 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 (even if the amount exceeds the regular contribution limit), you must file a corrected Form 5498.

Statements to participants. If you are required to file Form 5498, you must provide a statement to the participant. By January 31, 2011, you must provide participants with a statement of the December 31, 2010, value of the participant’s account and RMD, if applicable. Trustees of SIMPLE IRAs also must provide a statement of the account actively by January 31. Contribution information for all other types of IRAs must be provided by May 31, 2011. You are not required to provide information to the IRS or to participants as to whether a contribution is deductible or nondeductible. In addition, the participant is not required to tell you whether a contribution is deductible or nondeductible.

If you furnished a statement of the FMV of the account, and RMD if applicable, to the participant by January 31, 2011, and no reportable contributions, including rollovers, recharacterizations, or Roth IRA conversions, were made for 2010, you need not furnish another statement (or Form 5498) to the participant to report zero contributions. However, you must file Form 5498 with the IRS by May 31, 2011, to report the December 31, 2010, FMV of the account. This rule also applies to beneficiary accounts under the inherited IRA rules on page 15.

For more information about the requirement to furnish statements to participants, see part M in the 2010 General Instructions for Certain Information Returns.

If you do not furnish another statement to the participant because no reportable contributions were made for the year, the statement of the FMV of the account must contain a legend designating which information is being filed with the Internal Revenue Service.

Account Number
The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 5498. Additionally, the IRS encourages you to designate an account number for all Forms 5498 that you file. See part L in the 2010 General Instructions for Certain Information Returns.

Box 1. IRA Contributions (Other Than Amounts in Boxes 2–4, 8–10, 13a, and 14a)
Enter contributions to a traditional IRA made in 2010 and through April 15, 2011, designated for 2010. 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. An excess contribution is treated as a contribution in a subsequent year under section 219(t)(b), do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution on Form 5498 for the year it was actually contributed.

Also include employee contributions to an IRA under a SEP plan. These are contributions made by the employee, not by the employer, that are treated as regular IRA contributions subject to the 100% of compensation and $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 6.

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

Box 2. Rollover Contributions
Enter any rollover contributions (or contributions treated as rollovers) to any IRA received by you during 2010. These contributions may be any of the following:

- A direct or indirect rollover from a qualified plan (including a governmental section 457(b) plan) or section 403(b) plan.
- Any qualified rollover contribution as defined in section 408A(e) from an eligible retirement plan (other than an IRA) to a Roth IRA.
- A military death gratuity.
- An SGLI payment.
- Qualified settlement income received in connection with the Exxon Valdez litigation.
- Airline payment amounts.
- For the rollover of property, enter the FMV of the property on the date you receive it. This value may be different from the value of the property on the date it was distributed to the participant.
- For more details, see Pub. 590.

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 2010. Do not include a rollover from one Roth IRA to another Roth IRA, or a qualified rollover contribution under section 408A(e) from an eligible retirement plan (other than an IRA) to a Roth IRA. These rollovers are reported in box 2.

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

Box 5. Fair Market Value of Account
Enter the FMV of the account on December 31. For inherited IRAs, see Inherited IRAs on page 15.

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

Box 7. Checkboxes
Check the appropriate box. IRA. Check “IRA” if you are filing Form 5498 to report information about a traditional IRA account. SEP. Check “SEP” if you are filing Form 5498 to report information about a SEP IRA. If you do not know whether the account is a SEP IRA, check the “IRA” box. SIMPLE. Check “SIMPLE” if you are filing Form 5498 to report information about a SIMPLE IRA account. Do not file...
Form 5498 for a SIMPLE 401(k) plan. See section 408(p).

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

**Box 8. SEP Contributions**
Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2010 including contributions made in 2010 for 2009, but not including contributions made in 2011 for 2010. Trustees and issuers are not responsible for reporting the year for which SEP contributions are made. Do not enter employee contributions to an IRA under a SEP plan. Report any employee contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account.

**Box 9. SIMPLE Contributions**
Enter contributions, including deferrals, made to a SIMPLE IRA during 2010. Trustees and issuers are not responsible for reporting the year for which SIMPLE contributions are made. Do not include contributions to a SIMPLE 401(k) plan. A distribution from one SIMPLE IRA rolled over to another SIMPLE IRA is reported in box 2.

**Box 10. Roth IRA Contributions**
Enter any contributions made to a Roth IRA in 2010 and through April 15, 2011, designated for 2010. Report Roth IRA conversion amounts in box 3. Report a qualified rollover contribution made under section 408A(e) from an eligible retirement plan (other than an IRA) to a Roth IRA in box 2.

**Box 11. Check if RMD for 2011**
Check the box if the participant must take an RMD for 2011. You are required to check the box for the year in which the IRA participant reaches age 701/2; even though the RMD for that year need not be made until April 1 of the following year. Then check the box for each subsequent year an RMD is required to be made.

Boxes 12a and 12b are provided for your use to report RMD dates and amounts to participants. You may choose to complete these boxes, or continue to provide a separate Form 5498, or a separate statement, to report the information required by Alternative one or Alternative two. See page 14. To determine the RMD, see the regulations under sections 401(a)(9) and 408(a)(6) and (b)(3).

**Box 12a. RMD Date**
Enter the RMD date if you are using Form 5498 to report the additional information. See page 14.

**Box 12b. RMD Amount**
Enter the RMD amount if you are using Form 5498 to report the additional information under Alternative one. See page 14.

**Box 13a. Postponed Contribution**
Report the amount of any postponed contribution made in 2010 for a prior year. If contributions were made for more than 1 prior year, each prior year’s postponed contribution must be reported on a separate form.

**Box 13b. Year**
Enter the year for which the postponed contribution in box 13a was made.

**Box 13c. Code**
From the following list of codes, enter the reason the participant made the postponed contribution.

- For participants’ service in the combat zone or hazardous duty area, enter: AF—Allied Force.
- JE—Joint Endeavor.
- EF—Enduring Freedom.
- IF—Iraqi Freedom.
- FD—Federally designated disaster area.

For participants who are “affected taxpayers,” as described in an IRS News Release relating to a federally designated disaster area, enter FD.

**Box 14a. Repayments**
Enter the amount of any repayment of a qualified reservist distribution or of a designated disaster distribution (for example, a qualified disaster recovery assistance distribution).

**Box 14b. Code**
Enter QR for the repayment of a qualified reservist distribution, or DD for repayment of a federally designated disaster distribution.
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

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**Index**

- **A**
  - Account closure, IRA .......................... 3, 14
  - Airline payment amount ................................ 15
  - Alternate payee under QDRO ................................ 7
  - Annuity distributions .................................. 11
  - Automatic contribution arrangements .................... 5
  - Automatic rollovers .................................. 3, 5

- **B**
  - Beneficiaries .................................. 7

- **C**
  - Charitable gift annuities ................................ 8
  - Combat zones, designated ................................ 15
  - Corrected Form 1099-R .................................. 7
  - Corrected Form 5498 .................................. 16
  - Corrective distributions ................................ 5
  - Cost of current life insurance protection .................. 8

- **D**
  - Death benefit payments ................................ 7
  - Deemed IRAs .................................. 2
  - Designated Roth account, direct rollover ............... 4
  - Designated Roth account, distributions .................. 2
  - Direct rollovers .................................. 3, 4, 7, 8, 9, 10, 11, 16
  - Disaster relief reporting ................................ 15
  - Disclaimer of an IRA .................................. 7
  - Distributions under EPCRS ................................ 6
  - DVECs .................................. 3

- **E**
  - Eligible rollover distribution ................ 3, 9, 10
  - Employee contributions, retirement plan ................. 10, 11
  - Employer securities, distributions .................. 6, 7, 8, 9, 10
  - Endowment contracts .................................. 2, 16
  - Excess deferrals, excess contributions, corrective distributions of .................................. 5

- **F**
  - Failing ADP or ACP test, corrections .................. 6
  - Federal income tax withholding ...................... 9

- **G**
  - Guide to Distribution Codes .......................... 12, 13

- **H**
  - Inherited IRAs .................................. 15, 16
  - Insurance contracts .................................. 1, 10
  - Involuntary distributions ................................ 3, 5
  - IRA contributions .................................. 14
  - IRA distributions .................................. 1, 2, 11
  - IRA recharacterizations ................................ 2, 5, 8, 10, 14, 16
  - IRA revocation .................................. 3, 14

- **I**
  - Life insurance contract distributions .................. 2
  - Loans treated as distributions ...................... 3, 6
  - Losses, retirement distributions ...................... 5, 8
  - Military death gratuities ................................ 16
  - Military retirement .................................. 1
  - Missing retirement plan participants ................ 7

- **L**
  - Net unrealized appreciation .................. 3, 4, 8, 9, 10
  - Nonperiodic distributions ................................ 1
  - Nonqualified plan distributions ...................... 1
  - Nonresident aliens .................................. 7

- **M**
  - Pension distributions ................................ 11
  - Periodic payments .................................. 9
  - Permissible withdrawals under section 414(w) ........... 6
  - Postponed contribution ................................ 17
  - Profit-sharing distributions .................. 11

- **N**
  - QDRO .................................. 3, 5, 7
  - Qualified charitable distributions .................. 1
  - Qualified HSA funding distributions .................. 1
  - Qualified plan distributions ...................... 11
  - Qualified rollover contributions ...................... 4, 16

- **O**
  - Qualified settlement income .................. 15

- **R**
  - Recharacterized IRA contributions .................. 5
  - Required minimum distribution .................. 14, 17
  - Retirement payments ................................ 1
  - Revocation, IRA .................................. 3, 14
  - RMD .................................. 14, 17
  - RMD amount .................................. 17
  - RMD date .................................. 17
  - Rollovers .................................. 3, 4, 5, 7, 8, 9, 10, 14, 16
  - Roth IRA contributions ................................ 14, 17
  - Roth IRA conversions .................. 3, 5, 8, 10, 14, 16
  - Roth IRA distributions .................. 3, 8, 10

- **S**
  - Section 1035 exchange .................. 2, 5, 7
  - Section 402(j) notice ................................ 4
  - Section 404(k) dividends ................................ 1
  - SEP contributions .................................. 3, 9, 14, 16, 17
  - SEP distributions .................................. 3, 9, 10
  - Servicemembers' Group Life Insurance (SGLI) payments .................. 16
  - SIMPLE contributions ................................ 14, 16, 17
  - SIMPLE distributions .................. 3, 5, 8, 9, 10
  - State and local information ................................ 11
  - Statements to recipients/participants .................. 7, 16

- **T**
  - Taxable amount, retirement distributions .................. 8
  - Transfers: Form 1099-R .................................. 5
  - Form 5498 .................................. 14

- **U**
  - U.S. Armed Forces, special reporting .................. 15

- **W**
  - Withholding .................................. 9
  - Federal income tax .................................. 9

---

-18-