The Pension Digest

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ALSO IN THIS ISSUE –

Collin W. Fritz and Associates, Inc.,
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IRS Issues the 2001 Publication 590 Arrangements

Individual Retirement

The IRS issued the 2001 Publication 590 in late November. The IRS made three primary changes.

First, they deleted all discussion of Coverdell Education Saving Accounts (formerly known as Education IRAs). They are now covered in Publication 970, Tax Benefits for Higher Education. This seems to be a mislocation as the 2001 law changes mean that Coverdell ESA's are meant for K-12 grade as well as higher education. The statement is made that since Coverdell ESA's are not used to set aside money for retirement, but are used to fund education expenses, the better place to cover Coverdell ESA's is Publication 970.

Second, discussion of the new RMD rules were added and the discussion of the old rules was eliminated.

Third, the law changes which apply for 2002 are highlighted and explained even though this Publication 590 is to be used for preparing the 2001 returns and not for preparing the 2002 returns.

We would like to highlight the following provisions in the 2001 version.

1. The IRS has developed some new tables with the hope that various concepts can be understood more clearly.

2. The title of Form 8606 was changed. The 2001 Form 8606 is titled, "Nondeductible IRAs and Coverdell ESAs." The 2000 Form 8606 was titled, "Nondeductible IRAs," even though it was used to report four types of transactions: (1) making a nondeductible contribution or taking a distribution when the individual had previously made nondeductible contributions; (2) conversion from a traditional IRA or SIMPLE-IRA to a Roth IRA; (3) distributions from Roth IRAs and (4) distributions from Education IRAs. Under the 2001 form, the same types of transactions are reported.

   The Roth IRA receives no mention in the title even though 2 of the four transactions covered by the form are Roth IRA transactions.

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Rollovers to an IRA

The rules for rolling over funds between IRAs have changed in only one small way. The IRS will now have the authority to waive the 60-day eligibility requirement, where it would be against equity or good conscience not to do so.

The rules for rolling over funds from employer-sponsored plans into an IRA do change after 12-31-01.

Rolling over distributions from a qualified plan has been authorized for a long time. What has changed is - a person will be able to roll over both the taxable and the nontaxable portions of a distribution from a qualified plan into an IRA. A person's IRA basis will change accordingly.

Rolling over distributions from a governmental deferred compensation plan (section 457 plan) was not authorized prior to 1-1-02. Beginning with distributions after December 31, 2001, a person who participates in certain section 457 plans will be eligible to roll over a distribution from such plan into an IRA.

There will now be four possible sources for a conduit IRA – qualified plan; a 403(b) plan; a section 457 plan; or a SIMPLE-IRA.

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3. A person must file Form 8606 to designate a contribution as nondeductible. If a person does not report nondeductible contributions, all distributions to him or her will be taxable unless he or she can demonstrate, with satisfactory evidence, that nondeductible contributions were made.

   One must file the Form 8606 even if he or she is not required to file a Form 1040 or 1040A.

4. The Publication defines a traditional IRA as "any IRA that is not a Roth IRA or a SIMPLE-IRA." Note that there is no mention of a SEP-IRA. The reason is – a SEP-IRA is a type of traditional IRA, as is an IRA plan established by an employer or an employee association.

5. A husband and wife are not allowed to participate in the same IRA. Each must have his or her own IRA.

6. The IRS has created a chart to illustrate what is "qualifying" compensation for IRA contributions and what is not.

7. Most IRA custodians and trustees choose to furnish a new IRA accountholder with a disclosure statement at the same time he or she signs the IRA plan agreement. Under this approach, the IRA accountholder must be given at least 7 days to revoke the IRA. If the IRA accountholder revokes the IRA, the IRA custodian or trustee must return the entire amount contributed. However, with many self-directed and trusted IRAs, the IRA custodian or trustee will furnish the disclosure statement at least seven days in advance of accepting any contribution. Under this approach, there is no right to revoke.

8. An individual's filing status (i.e. being married) does not benefit or hurt the contributions he or she may make to a traditional or Roth IRA.

9. The IRS has created a new table for 2001 to illustrate the effect of modified AGI on Deduction if Covered by a Retirement Plan At Work.

Table 1–2. Effect of Modified AGI[1] on Deduction if Covered by Retirement Plan at Work for 2001

If you __are__ covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.

IF your filing status is ...	**AND** your modified adjusted gross income (modified AGI) is ...	**THEN** you can take ...
Single or **Head of Household**	Less than $33,000	A full deduction
	At least $33,000 but less than $43,000	A partial deduction
	$43,000 or more	No deduction
Married Filing Jointly or **Qualifying Widow(er)**	Less than $53,000	A full deduction
	At least $53,000 but less than $63,000	A partial deduction
	$63,000 or more	No deduction
Married Filing Separately[2]	Less than $10,000	A partial deduction
	$10,000 or more	No deduction

[1] Modified AGI (adjusted gross income). See *Modified adjusted gross income (AGI).*
[2] If you did not live with your spouse at any time during the year, your filing status is considered Single for this purpose (therefore, your IRA deduction is determined under the "Single" column).

10. The IRS has created a new table for 2002 to illustrate the effect of modified AGI on Deduction if NOT Covered by a Retirement Plan At Work.

11. The new (and more restrictive) rules for when a surviving spouse will be able to treat the deceased spouse's IRA as his or her own are stated. Three requirements must be met. First, the spouse must be the sole beneficiary. Second, the spouse must have an unlimited right to withdraw amounts from the IRA. Third, the RMD for the year of the death must be distributed before any portion can be treated as the surviving spouse's IRA.

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Table 1–3. **Effect of Modified AGI[1] on Deduction if NOT Covered by Retirement Plan at Work for 2001**

If you are not covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.

IF your filing status is ...	**AND** your modified adjusted gross income (modified AGI) is ...	**THEN** you can take ...
Single, Head of Household, or **Qualifying Widow(er)**	Any amount	A full deduction
Married Filing Jointly or **Separately** with a spouse who ***is not*** covered by a plan at work	Any amount	A full deduction
Married Filing Jointly with a spouse who ***is*** covered by a plan at work	Less than $150,000	A full deduction
	At least $150,000 but less than $160,000	A partial deduction
	$160,000 or more	No deduction
Married Filing Separately with a spouse who ***is*** covered by a plan at work[2]	Less than $10,000	A partial deduction
	$10,000 or more	No deduction

[1] Modified AGI (adjusted gross income). See *Modified adjusted gross income (AGI).*
[2] You are entitled to the full deduction if you did not live with your spouse at any time during the year.

- *$33,000 and $43,000 for a single individual (or head of household),*
- *$53,000 and $63,000 for a married couple filing a joint return (or a qualifying widow(er)), or*
- *$-0- and $10,000 for a married individual filing a separate return.*

For all filing statuses other than married filing a separate return, the upper and lower limits of the phaseout range will increase by $1,000 for 2002.

12. There are two methods which are commonly used to transfer the IRA assets of one spouse to the other spouse or former spouse. Such a transfer is authorized only if the spouses are divorcing or there is a separate property settlement. The first method is to change the name on the IRA. The second method is to make a direct transfer of the IRA assets.

13. The IRS presently has authorized two methods to calculate the earnings related to an excess contribution. Only one of the methods is mentioned in this Publication 590. It is the method discussed in Notice 2000-39.

14. All of the discussion regarding required minimum distributions has been revised to cover the IRS' new rules. These rules will not be discussed at this time, but will be discussed once the IRS issues its final regulation.

15. In 2001 and 2002, many IRA accountholders will want to claim or take advantage of his or her losses with traditional IRA(s) and/or Roth IRA(s). In what situations may an accountholder or beneficiary claim a loss?

    The IRS' position, as stated in Publication 590, is that a taxpayer can recognize the loss on his or her income tax return, but only when the entire amount in his or her IRAs have been distributed to him or her and the totals are less than the unrecovered basis, if any. The taxpayer claims the loss as a miscellaneous deduction subject to the 2% of adjusted gross income limit that applies to certain miscellaneous itemized deductions on Schedule A.

    The rules apply separately to traditional IRAs and Roth IRAs.

    The practical effect of these rules is that a person will be able to claim a loss with respect to his or her traditional IRA(s) only if he or she liquidates all such traditional IRAs. And such person will be able to claim a loss with respect to his or her Roth IRA(s) only if he or she liquidates such Roth IRAs.

16. The general withholding rule is that federal income tax will be withheld from an IRA distribution unless the IRA accountholder or the beneficiary instructs that he or she does not want withholding. If you are a U.S. citizen or resident alien, and the IRA distributions are to be delivered outside the United States or its possessions, then you will not be able to waive withholding.

17. The IRS sets forth the following procedure for a taxpayer to request a waiver of the 50% excess accumulations tax. The taxpayer is to file the Form 5329 along with his or her Form 1040. The taxpayer is to pay any tax owed on the excess accumulation. The taxpayer then is to

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Worksheet 2–2. **Determining Your Reduced Roth IRA Contribution Limit**

Before using this worksheet, check Table 2–1 *to determine whether or not your Roth IRA contribution limit is reduced. If it is, use this worksheet to determine how much it is reduced.*

1. Enter your modified AGI for Roth IRA purposes	**1.**	______
2. Enter: • $150,000 if filing a joint return • $0 if married filing a separate return and you lived with your spouse at any time during the year • $95,000 for all others	**2.**	______
3. Subtract line 2 from line 1	**3.**	______
4. Enter: • $10,000 if filing a joint return or married filing a separate return • $15,000 for all others	**4.**	______
5. Divide line 3 by line 4 and enter the result as a decimal carried to three places. Do not enter more than "1.000"	**5.**	______
6. Enter the lesser of: • $2,000 for 2001 ($3,000 for 2002 or $3,500 for 2002 if 50 or older), or • Your taxable compensation	**6.**	______
7. Multiply line 5 by line 6	**7.**	______
8. Subtract line 7 from line 6. Round the result up to the nearest $10. If the result is less than $200, enter $200	**8.**	______
9. Enter contributions for the year to other IRAs	**9.**	______
10. Subtract line 9 from line 6	**10.**	______
11. Enter the lesser of line 8 or line 10. This is your **reduced Roth IRA contribution limit**	**11.**	______

TIP *Round your reduced contribution limit up to the nearest $10. If your reduced contribution limit is more than $0, but less than $200, increase the limit to $200.*

attach a letter of explanation requesting the IRS to not collect this tax. The letter should explain why the underpayment was due to a reasonable error. It should also explain that the underpayment has not been withdrawn.

18. The IRS has created a new worksheet a person's reduced Roth IRA contribution limit.

19. The statement is made that a conversion of a traditional IRA to a Roth IRA when made with the same custodian/trustee can be made by redesignating the traditional IRA as a Roth IRA, rather than opening a new account or issuing a new contract.

    We realize the law provides for this concept. However the reporting requirements still need to be satisfied. There will need to be a Form 1099-R prepared to report the money coming out of the traditional IRA, and a Form 5498 for the Roth IRA to report the conversion contribution.

20. It is possible to convert from a SIMPLE-IRA to a Roth IRA only after the 2-year period requirement has been satisfied.

21. An inherited IRA is never eligible to be rolled over. A spouse beneficiary who is the sole beneficiary could elect to treat the IRA as his or her own and then convert it, but no other beneficiary will have this right.

22. Conversions do not count for purposes of the 1-year waiting period for rollovers.

23. Recharacterizations do not count for purposes of the 1-year waiting period for rollovers.

24. An employer will only be able to contribute 15% of a SEP participant's compensation for both 2001 and 2002. Since the law limits the amount of compensation which may be considered to $170,000 for 2001 and $200,000 for 2002, the maximum contribution will generally be $25,500 for 2001, and $30,000 for 2002.

25. Discussion of 2002 Rollover Rules. Although there have been some changes in the rules governing what distributions may be rolled into an IRA, the majority of the changes deal with the rolling over of IRA funds into certain employer sponsored-plans. ◆

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Rolling over life insurance contracts from a qualified plan or section 403(b) plan are still not authorized.

Rollovers From an IRA to Employer-Sponsored Plans

The changes are monumental. The general rule was that funds in an IRA were not eligible to be rolled over into a qualified plan, a section 403(b) plan, or a section 457 plan. There was a limited exception. If an IRA was a conduit IRA, then those funds (and earnings) were eligible to be rolled over into a qualified plan or a section 403(b) plan as long as such funds arose from that type of plan. A distribution from a section 457 plan or a SIMPLE-IRA plan was not eligible to go into a conduit IRA.

The new rule is that a distribution occurring on or after January 1, 2002, from a nonconduit IRA, will be able to be rolled over into a qualified plan, a 403(b) plan, or a section 457 plan, but only to the extent the IRA distribution is taxable. One may not roll over his or her nondeductible basis. Such plans may be written to allow such rollovers, but they are not required to be so written.

Note that it will still not be authorized to roll over any traditional IRA funds into a SIMPLE-IRA.

Rollovers from a SIMPLE-IRA to Employer-Sponsored Plans

Under current law, a person could not roll over a distribution from his or her SIMPLE-IRA to a qualified plan, 403(b) or section 457 plan. On or after January 1, 2001, he or she will be able to do so.

Note that for whatever reason, a person is still not able to roll over funds from a qualified plan, 403(b) plan, or section 457 plan into a SIMPLE-IRA. I don't know if Congress and the IRS just missed this one or whether the proponents of 401(k) plans only wanted money coming into 401(k) plans and didn't want any flowing out. Many small employers will want the ability to have their employees combine their old 401(k) contributions with the new SIMPLE-IRA contributions. The law should be changed to permit such a rollover. ◆

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Table VII Additional Taxes from Forms 5329 and 5330

Tax Item	1994	1995	1996	1997	1998
Number returns with tax due Form 5329/5330	2,832,705	3,039,096	3,434,814	3,415,245	3,786,186
Amount of tax due from Form 5329/5330	$1,324,346	$1,526,684	$1,824,290	$1,902,154	$2,152,647

Observations from Table VII

1. A taxpayer must complete form 5329 when he or she owes one of the many "penalty taxes" which can apply to IRAs, SEPs, SIMPLEs and Keoghs. There is a 6% tax if an excess contribution is made. There is a 10% tax if a pre-59 1/2 distribution is received. There is a 50% tax if there is an excess accumulation when the RMD rules apply. There is a 25% tax if there is a pre-59 1/2 distribution from a SIMPLE IRA within the first two years.

2. The number of returns being filed with these penalties has increased substantially, from 2.8 million returns to 3.8 million returns.

3. The amount of tax due has increased from 1.3 billion to 2.1 billion.

4. The average amount of penalty tax owed per return has increased from $467 per return to $568 per return.

5. The number of people filing a return to report that they owe one of the penalty taxes (3,786,186) is approximately the same number as those claiming an IRA deduction in 1998 (3,868,017).

Summary

$813 billion dollars were raised from individual income tax returns for 1998. A large majority (70% or more) of these tax dollars arose from wages and salaries.

We have set forth the IRS' summary of IRA distributions, QP distributions, IRA deductions, QP/SEP deductions, and tax penalties associated with IRA and qualified plans. ◆

Tax Statistics

Table I

Size of adjusted gross income	Number of returns with modified taxable income	Percentage of total returns	Tax generated at all rates	Percentage of total tax generated	Cumulative percentages of tax generated
Under $2,000	841,235	.83	59,535	.01	100.00
$2,000 under $4,000	701,065	.70	162,826	.02	99.99
$4,000 under $6,000	1,843,741	1.83	321,585	.04	99.97
$6,000 under $8,000	2,227,030	2.21	620,247	.08	99.93
$8,000 under $10,000	3,230,742	3.21	1,159,983	.14	98.85
$10,000 under $12,000	3,137,261	3.11	1,845,204	.23	99.71
$12,000 under $14,000	3,693,566	3.66	2,629,369	.32	99.48
$14,000 under $16,000	4,355,847	4.32	3,647,439	.45	99.16
$16,000 under $18,000	4,199,938	4.17	4,384,915	.54	98.71
$18,000 under $20,000	4,304,346	4.27	5,549,193	.68	98.17
$20,000 under $25,000	9,781,596	9.70	16,623,323	2.04	97.49
$25,000 under $30,000	8,079,523	8.02	19,032,562	2.34	95.45
$30,000 under $40,000	13,043,590	12.94	43,571,973	5.36	93.11
$40,000 under $50,000	9,935,142	9.86	47,986,324	5.91	87.75
$50,000 under $75,000	15,859,082	15.73	114,998,584	14.14	81.84
$75,000 under $100,000	7,214,389	7.17	88,249,867	10.85	67.70
$100,000 under $200,000	6,262,181	6.21	144,552,852	17.77	56.85
$200,000 under $500,000	1,604,781	1.59	111,118,614	13.66	39.08
$500,000 under $1,000,000	306,676	.30	58,772,984	7.23	25.42
$1,000,000 or more	171,707	.17	147,958,224	18.19	18.19
Total	100,793,439	100.00	813,245,403	100.00	

The above IRS table shows by various levels of adjusted gross income the total number of tax returns filed with modified taxable income, the percent of the total filed returns, the total amount of income tax paid and also the percent of total taxes paid.

The above table and the other tables come from "IRS, Statistics of Income, Individual Income Tax Returns 1998, Publication 1304(Rev. 42001). All figures are estimates based on samples. For 1998, the total number of returns was 124,770,662. Of this amount, 100,793,439 had modified taxable income, This means that 23,977,223 returns did not have any taxable income because of such items as itemized deductions, exemptions, IRA deductions, etc.

The money amounts are shown in thousands of dollars. Therefore, the total amount of taxes from individual returns for 1998, while shown as $813,245,403, is really $813,245,403,000, or $813 billion dollars.

The purpose of this article is to discuss various tax statistics, including various statistics with respect to IRAs, pension plans, etc.

Observations from Table I

1. Approximately 69% of the returns showed adjusted gross income of less than $50,000. Most of these returns would be able to take deductions for any IRA contributions.
2. 8.27% of the returns had adjusted gross incomes of $100,000 or more. This means 91.73% had adjusted gross incomes less than $100,000. Most of these people are eligible to make Roth IRA contributions, since the phaseout level is either $95,000-$110,000 or $150,000-$160,000.
3. 2.06% of the returns with modified taxable income above $200,000 accounted for approximately $318 billion of the $813 billion of tax generated. This is 39.11%. This is 1.67% of all returns.
4. 15.44% of the filed returns with modified taxable income accounted for $450 billion (67.70%) of the $813 billion. This is 12.48% of all returns.
5. 31.17% of the filed returns with modified taxable income accounted for $665 billion (81.84%) of the $813 billion. This is 25.81% of all filed returns.

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6. 53.97% of the filed returns with modified taxable income accounted for $757 billion (93.11%) of the $813 billion. This is 43.60% of all filed returns.

This table summarizes Table I information by filing status for those who had modified taxable incomes.

Table II – Filing Status

	Number of Returns	Percent of Total	Income Tax Generated	Percent of Total
Single Persons	42,906,105	42.57	177,929,649	21.88
Separate Returns of Married Persons	2,221,080	2.20	16,956,503	2.08
Heads of Households	11,465,520	11.38	34,861,660	4.29
Joint returns and surviving spouses	44,200,734	43.85	583,491,954	71.75
Total	100,793,439	100.00	813,239,765	100.00

Observations from Table II

1. Taxpayers who are not married accounted for 53.95% of the filed returns. Taxpayers who are married accounted for 46.05% of the returns.

2. Taxpayers who are not married paid 26.17% of the $813 billion, or $178 billion. Taxpayers who are married paid 73.95% of the $813 billion, or approximately $533 billion.

3. There were roughly the same number of returns filed by single individuals (43 million) as there were by married couples filing jointly (44 million).

The following Table III has been taken from Table A Selected Income and Tax items for Selected years, 1994-1998, in current and constant 1990 dollars. Again, all money amounts are in thousands of dollars.

Table III

Tax Item	1994	1995	1996	1997	1998
Returns, Wages, & Businesses					
Number of all returns	115,943,131	118,218,327	120,351,208	122,421,991	124,770,662
Number of returns with salary & wages	99,356,244	101,138,551	102,748,874	104,404,985	106,535,263
Amount of salaries & wages	$2.67 tril.	$2.75 tril.	$2.8 tril.	$2.95 tril.	$3.09 tril,
Number of returns with business income	15,944,127	16,172,851	16,735,827	16,937,575	17,104,786
Income	$146,564,011	$145,234,414	$147,419,963	$152,069,394	$161,403,600

Observations

1. In 1998, there were wages of 3 trillion dollars versus $161 billion of business income. But to be fair to the small businesses, they paid many of those wages to their employees.
2. In 1998, 106 million returns listed wages or salaries. All are eligible to make a traditional and/or Roth IRA contributions.
3. 18 million returns did not reflect any wages or salaries.
4. There are 17 million unincorporated businesses. As long as they have net income from their business, they are eligible to make IRA contributions, SEP contributions, Keogh contributions and SIMPLE contributions,

   One would expect that SIMPLE IRA plans will be used by many of these businesses.

Table IV – IRA Distributions

Tax Item	1994	1995	1996	1997	1998
Number of returns with an IRA distribution	5,502,525	5,858,634	6,456,820	6,761,089	8,530,379
Gross amount of IRA distributions	$48,776,504	$51,320,925	$58,338,720	$64,340,125	$106,345,650
Number of returns with taxable IRA distributions	4,777,297	5,255,882	5,831,146	6,214,044	7,774,091
Taxable amt of IRA distributions	$29,194,094	$32,003,575	$37,948,953	$44,936,906	$59,086,417
Number of returns Rollovers and other nontaxable	725,228	602,752	625,674	547,045	756,288
Amount of Rollovers and other nontaxable	$19,582,410	$19,317,350	$20,389,767	$19,403,219	$47,259,233

Observations from Table IV

1. Note the substantial increase in the amount of IRA distributions in 1998 versus 1997. This is partially due to the conversions to Roth IRAs. But the amount of rollovers increased significantly also.

2. The difference between the above two categories should be those IRA distributions which were NOT taxable

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either because they were rolled over, they were the return of nondeductible contributions, or the return of excess contributions. Presumably most of the difference is due to rollovers.

3. Of funds distributed from IRAs, presumably most of the 19 billion dollars were rolled over. Under pre-2002 laws, these funds primarily had to go into another IRA as only funds in a conduit IRA could go into a QP or 403(b) plan. Under 2002 rules, these funds will be able to be rolled over into certain employer-sponsored retirement plans.

Table V – IRA Contributions Which Were Deducted

Tax Item	1994	1995	1996	1997	1998
Number of returns with IRA deductions	4,319,153	4,300,722	4,374,281	4,068,958	3,868,017
Amount of the IRA deductions	$7,393,505	$7,150,955	$7,189,612	$7,054,311	$6,529,866

1. The number of returns claiming an IRA deduction has consistently been 4 million tax returns. This is only 4% of those returns with modified taxable income, and is only 3.2% of all returns. It appears that many taxpayers are not taking advantage of IRAs.

2. The deduction amount for 1998 was $6.5 billion, This was down from $7.4 billion in 1994.

3. The average deduction amount per return runs from $1,643 to $1,733.

Table VI – KEOGH/SEP Deductions

Tax Item	1994	1995	1996	1997	1998
Number of returns with Keogh/SEP deductions	995,844	1,032,102	1,079,413	1,189,981	1,177,487
Amount of the Keogh/SEP deductions	$7,226,356	$7,490,690	$7,482,818	$8,336,827	$8,803,575

Observations from Table VI

1. The number of returns claiming a Keogh/SEP deduction has consistently been approximately 1 million tax returns. This is only 1% of those returns with modified taxable income, and is only .80% of all returns.

2. The deduction amount for 1998 was $8.8 billion versus $7.2 billion in 1994.

3. The average deduction amount per return has consistently averaged around $7,000.

Table VII – Pension Distributions

Tax Item	1994	1995	1996	1997	1998
Number of returns with pension distributions	19,063,270	19,778,915	20,675,450	20,948,184	22,211,348
Gross Amt of pension distributions	$254,821,735	$266,950,782	$287,422,589	$311,837,118	$352,090,419
Number of returns with taxable pension distributions	17,893,606	18,414,601	19,272,307	19,496,575	20,473,407
Taxable amt of pension distributions	$181,166,653	$189,582,371	$198,989,009	$211,491,247	$223,803,986
Number of returns with Rollovers and other nontaxable	1,169,644	1,364,314	1,403,143	1,451,609	1,737,941
Amount of rollovers and other nontaxable	$73,655,082	$77,368,411	$88,433,580	$100,345,871	$128,286,433

Observations

1. Note the substantial increase in the amount of QP distributions from 1994-1998. $254 billion was distributed in 1994 and $352 billion was distributed in 1998.

2. The difference between the gross amount and taxable amount is those QP distributions which were not taxable either because of being rolled over, were the return of nondeductible contributions, or were the distribution of employer stock. Presumably most of the difference is due to rollovers.

Observation from Table VII

3. The amount of QP distributions not taxed increased from $73 billion in 1994, to $128 billion in 1998. The funds could have been rolled over either into another QP or an IRA.

4. If these funds were all rollovers (and some were not), the average rollover, on an annual basis, was: $62,972, $56,700, $63,025, $69,127 and $73,815.

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