THE Pension Digest

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ALSO IN THIS ISSUE –

Collin W. Fritz and Associates, Inc.,
"The Pension Specialists"

Time to Start Specializing in Inherited Roth IRAs and Marketing Such Specialization

Inherited Roth IRAs will be great long term accounts. If your financial institution hasn't yet started to tell your customers that you want these accounts, you want to start.

In general, the income earned by inherited Roth IRAs for a beneficiary will be tax free since "death" is a qualifying reason and the five-year requirement will normally have been met. If the deceased Roth IRA accountholder had not yet met this 5-year requirement, the beneficiary soon will as the holding periods of the accountholder and beneficiary are aggregated.

Again, Inherited Roth IRAs will be great long term accounts. This is true even though required minimum distributions must generally be made to the beneficiary for each and every year commencing with the year after the year the Roth IRA accountholder died. Roth IRA beneficiaries will normally only want to take the required minimum and no more. The remainder of the account will be left on deposit or be left invested for the life expectancy of the beneficiary. This could well be a time span of 20-60 years.

We all know that a large majority of traditional IRA accountholders would never take a distribution at 70½ or older if the federal income tax laws did not require it. They take the required minimum amount and no more. The same is going to be true for inheriting Roth IRA beneficiaries. Taking a distribution from an inherited Roth IRA only means a person is decreasing the amount of assets they have earning tax free income. Most individuals will take the absolute minimum distribution.

If your financial institution hasn't yet started to tell your customers that you want these accounts, you want to start. You also want to be ready to service these accounts very professionally. Today, one sees countless advertisements to assist with IRA and pension rollovers. The reason is simple: these are valuable accounts. Inherited Roth IRAs are also valuable accounts. A financial institution wants to acquire as many inherited Roth IRA accounts as possible. The sooner one gets started the better. ◆

When Can 2007 IRA Contributions Be Made?

Contributions to a traditional IRA and/or Roth IRA may be made at any time during the year or by the due date of your return for that year (not including extensions).

An individual can make contributions for 2007 by the due date (not including extensions) for filing their 2007 tax return. This means that most people can make contributions for 2007 by April 15, 2008. ◆

Discussion of Topic – CESA Responsible Individual

This discussion is based on the IRS model form 5305-EA.

1. The initial depositor has the authority and duty to name the responsible individual of the CESA who must be a parent or guardian of the designated beneficiary.
2. Each CESA may only have one responsible individual at a time.
3. The initial depositor has the right to authorize the responsible individual to continue as the responsible individual until the CESA terminates even once the designated beneficiary attains the age of majority under state law.
4. Articles I-VII do not expressly give the depositor the direct authority to change the responsible individual or to name a subsequent responsible individual. However, see the discussion below regarding the fact that that depositor and custodian have the right to amend Article V as long as it does not violate Articles I-III.
5. Note that there is no authority for a responsible individual to resign as the responsible individual. Such language could be added to Article X.
6. If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor, the successor responsible individual may be any person named in a witnessed writing to succeed him or her in that role. There is no requirement that it be the other parent or even a family member. If the responsible individual has not named a successor responsible individual according to these rules, then the successor responsible individual shall be the other parent or successor guardian.
7. If the responsible individual becomes incapacitated or dies after the designated beneficiary reaches the age of majority, the designated beneficiary shall become the responsible individual.
8. The initial depositor can grant or not grant the responsible individual the authority to change the designated beneficiary to another member of the designated beneficiary's family.

   Note that the initial depositor does not retain the right under the IRS form to change the designated beneficiary.
9. If there is a change in the designated beneficiary as a result of the death of the designated beneficiary, the responsible individual for the new designated beneficiary shall be a parent or guardian. The form does not indicate how such parent or guardian is determined.
10. Article IX provides that "other amendments (i.e. those not needed to comply with the Code and related regulations) may be made with the consent of the depositor and the custodian whose signatures appear on the application page."
11. Articles VIII sets forth the statement that even if there are amendments the provisions of Articles I-III will control. Any amendment inconsistent with section 530 and related regulations is invalid.

We at CWF believe that Article V may be amended as long as such amendments are consistent with section 530. However, up until now, CWF has chosen to not amend or change the provisions of Article V. Within the next 4-6 weeks we will be adding new provisions to Article X governing the responsible individual. ◆

Qualified Charitable Distributions Expired—or not?

Qualified Charitable Distributions (QCD) from IRAs were a popular provision for 2006 and 2007. However, The Pension Protection Act of 2006 (PPA) authorized these tax-free distributions for just those two years. This option for IRA owners and IRA beneficiaries who attained age 70½ expired on December 31, 2007.

But wait, there may be hope. The House of Representatives passed H.R. 3996 at the end of 2007 extending this provision for one more year. Hope was dashed, however, when the Senate dropped this provision in December of 2007 from its tax bill.

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Qualified Charitable Distributions, Continued from page 2

There still may be hope. Current bills on the docket, H.R. 1419 and S. 819 call for making the QCD permanent retroactive to January 1, 2008, removing the $100,000 annual limit, expanding the definition of eligible charities, and allowing those IRA owners and beneficiaries who have attained age 59½ to also be eligible.

It is expected to be addressed in the 2008 Congress. There appears to be a great deal of pressure being placed by the electorate to pass an extension or an expanded law.

CWF will keep you informed of the bills' status. ◆

2007 Publication 590 Excerpt

Worksheet 1-4. **Determining the Amount of Net Income Due To an IRA Contribution and Total Amount To Be Withdrawn From the IRA**

1. Enter the amount of your IRA contribution for 2008 to be returned to you.	**1.**	______
2. Enter the fair market value of the IRA immediately prior to the removal of the contribution, plus the amount of any distributions, transfers, and recharacterizations made while the contribution was in the IRA.	**2.**	______
3. Enter the fair market value of the IRA immediately before the contribution was made, plus the amount of such contribution and any other contributions, transfers, and recharacterizations made while the contribution was in the IRA	**3.**	______
4. Subtract line 3 from line 2.	**4.**	______
5. Divide line 4 by line 3. Enter the result as a decimal (rounded to at least three places)..	**5.**	______
6. Multiply line 1 by line 5. This is the net income attributable to the contribution to be returned.	**6.**	______
7. Add lines 1 and 6. This is the amount of the IRA contribution plus the net income attributable to it to be returned to you.	**7.**	______

Mistaken IRA Rollovers—Sometimes NOT a Bad Thing

A cardinal IRA and pension tax rule is that a person's required minimum distribution (RMD) is never eligible to be rolled over. In addition, the tax laws contain an "order" rule providing that any RMD amount must be distributed first before any other distribution may be made. There are times when IRA accountholders do not like this rule. For example, Jane Doe normally takes her RMD in November of each year. IRA Custodian #1 has calculated her RMD for 2008 to be $1,300. On February 10, 2008, she withdrew $600 thinking she could return this amount to her IRA in March. She cannot. The $600 payment counts as a partial payment of her 2008 RMD. She is ineligible to roll over this amount.

There are times, however, when both the bank and the individual are happy that such rules exist. Two situations are discussed below.

Situation #1. Marianne, in May of 2007, rolled over $40,000 to IRA custodian #2. In February of 2007 she had previously withdrawn $500 as a partial withdrawal of her 2008 RMD. IRA custodian #1 was Edward Jones. Edward Jones had calculated her 2007 RMD to be $1,562.50. She rolled over the entire $40,000. She has now come to custodian #2. She is very concerned because she thinks she has failed to take her RMD. She thinks she owes the 50% excise tax with respect to $1,062.50 ($1,562.50 - $500) or $531.25.

She does not. Edward Jones issued her a check for $40,000. Edward Jones did not break out for her what portion of this $40,000 was her RMD for 2007, but that does not change the fact that $1,062.50 of this distribution was for her 2007 RMD. An IRA custodian should, as good customer service, show this breakout, but the IRS rules do not require it. Thus, she will pay tax on her 2007 federal tax return for RMD withdrawals of $1,062.50 and $500 since she was paid these amounts in 2007. She was ineligible to roll over the $1,062.50 amount—she only thought she had. In reality—she had made an excess contribution. Again, she does not owe the 50% excess accumulations tax.

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Mistaken IRA Rollovers, Continued from page 3

As with any excess contribution situation, she will owe the 6% excise tax unless she corrects the excess by withdrawing it, plus the related income. Marianne did correct her excess contribution by withdrawing the $1,062.50 plus the related income. Marianne is not required to pay the 6% excise tax.

Situation #2. It is fairly common for the same type of error to occur with respect to distributions from employer-sponsored pension plans.

David Hall was a participant in his employer's 401(k) plan in 2007. He was required to take an RMD of $2,200 from the 401(k) plan for 2007. He retired on June 15, 2007. The 401(k) administrator made a mistake and allowed him to directly roll over his entire balance of $45,000. He directly rolled over the $45,000 to an IRA with IRA custodian #1.

David has now come to you as the IRA custodian. He has read the 1040 tax instruction booklet, and he believes he is going to have to pay the 50% tax of $1,00 on the $2,200 RMD. He is unhappy.

As with the IRA situation, an RMD amount is ineligible to be rolled over. If one tries to roll it over, it is an excess contribution. It is corrected in the same way any excess contribution is corrected. The $2,200 plus any related income needs to be withdrawn.

How is the above pension plan situation to be reported on the various reporting forms?

The qualified plan administrator originally prepared a Form 2007 1099-R showing a distribution of $45,000. In box 7, a reason "G" for direct rollover was inserted.

The qualified plan administrator will need to prepare a corrected 2007 Form 1099-R showing a distribution of $42,800 as being directly rolled over and a new 2007 1099-R form showing a distribution of $2,200 (the required distribution amount) with a reason code 7 (normal/over age 59½).

Since $2,200 did not qualify to be rolled over, it is an excess contribution and needs to be corrected by withdrawing it plus the related income. David will want to instruct the IRA custodian of these facts.

David and Marianne will both be happy that each of them does not owe the 50% excise tax. However, their excess contributions will need to be withdrawn, and they need to make the proper explanations on their tax returns. ◆

Three New IRA Forms

We now have 3 new IRA administrative forms available.

1. Roth IRA – Certification for the Conversion of Funds Within an Employer Retirement Plan to a Roth IRA, CWF IRA #65-R3.

As of January 1, 2008 it is now possible for a pension plan participant to directly roll over funds within the pension plan to a Roth IRA. This is a new type of conversion contribution. A person no longer is limited to making a conversion contribution solely from a traditional IRA.

We recommend the use of a certification form. You want your customers to certify that they are eligible to make the conversion contribution. The tax situation would be a tax mess if a person makes a conversion contribution when they are ineligible. There would be an excess contribution.

2. Inherited IRA Accountholder's Distribution Instruction and Certification to Comply with RMD Rules, CWF IRA #205.

3. Inherited Roth IRA Accountholder's Distribution Instruction and Certification to Comply with RMD Rules, CWF IRA #205-R.

The law was changed as of January 1, 2007, to allow a nonspouse beneficiary of a pension plan participant to directly roll over the inherited funds into a new type of inherited IRA. The individual/beneficiary is then required to take required distributions from the inherited IRA. This form is used by the individual/beneficiary to instruct how and when distributions will be taken and what method will be used. Normally an individual/beneficiary would directly rollover standard pension funds into an inherited traditional IRA. This is CWF IRA #205.

However, if a plan participant had Designated Roth account funds within the pension plan, then the individual/beneficiary would directly rollover these funds into an inherited Roth IRA. This is CWF IRA #205-R. ◆

When Does the IRA Accountholder Turn Age 70½?

An IRA accountholder (or employee of a pension plan) attains age 70½ as of the date six calendar months after the 70th anniversary of the accountholder's birth. For example, if an IRA accountholder's date of birth was June 30, 1937, the 70th anniversary of such accountholder's birth is June 20, 2007. Such accountholder attains age 70½ on December 30, 2007. (If we are talking about an employee of a pension plan who is a 5-percent owner or retired, such employee's required beginning date is April 1, 2008.)

However, if the accountholder's date of birth was July 1, 1937, the 70th anniversary of such accountholder's birth would be July 1, 2007. Such accountholder would then attain age 70½ on January 1, 2008, and such accountholder's required beginning date would be April 1, 2009. ◆

IRS Clarified Position

In a rare move, the IRS has clarified its previous position affecting a very important topic, Qualified Retirement Plan (QRP) Non Spouse Beneficiary Inherited IRAs.

The Pension Protection Act of 2006 (PPA) in §402(c)(11) allowed certain distributions by non-spouse beneficiaries of a QRP to be directly rolled over to an Inherited IRA. This meant non-spouse beneficiaries could spread the taxation of the QRP assets over his or her life expectancy rather than over five years or even a shorter time frame. The change was welcome relief for QRP non-spouse beneficiaries.

There was one catch however in PPA. As with many QRP rules, this change was interpreted and clarified by the IRS in February 2007, in a special edition of "Employee Plan News" to not be a mandatory change. Instead, the IRS stated that Section 829 of PPA was optional on the part of the employer so that if a particular employer did not want to amend the QRP to authorize such a direct rollover, they would not have to. Then, non spouse beneficiaries would have to abide by the old rules as disclosed in the QRP and could not directly rollover the QRP assets to an inherited IRA or any other tax deferred account. That meant it was generally taxed, and taxed quickly.

It appears obvious now that the optional interpretation was not what Congress had in mind and let the IRS know their stance on the topic with the introduction of two technical correction bills.

Consequently, when IRS issued its 2007 Interim and Discretionary Amendments in August 2007, the following statement was included:

> § 402(c)(11) [Discretionary]: PPA '06 § 829(a)(1) added § 402 (c)(11) to allow nonspouse beneficiaries roll over distributions from a qualified plan to an individual retirement plan. Nonspouse beneficiary rollovers are an optional plan provision for 2007. See, Notice 2007-7. Pursuant to an impending technical correction, **nonspouse beneficiary rollovers will be required for plan years beginning on or after January 1, 2008.** See, section 9(e) of S. 1974, the Pension Protection Technical Corrections Act of 2007, as introduced to the Senate on August 2, 2007 and section 9(e) of H.R. 3361, the Pension Protection Technical Corrections Act 2007, as introduced in the House of representatives on August 3, 2007.

Both the House and Senate have passed proposed tax bills so that a plan document would be required to authorize such a direct rollover. However, they have not yet enacted this change.

As with many tax laws, the law is unsettled. It certainly appears Congress will enact a new tax law requiring an employer to amend its QRP to authorize a direct rollover by a nonspouse beneficiary to an IRA. The reason for the law change was to give beneficiaries better distribution options than they were being given by the plans. Time will tell if this law change is enacted. We will keep you informed.

For additional discussion on QRP non-spouse beneficiary rollovers to inherited IRAs, please refer to articles in the CWF's "The Pension Digest" January and June 2007 issues or call our consultants at 800-346-3961. ◆

Helping Your IRA Clients

It is tax time. Many of your IRA clients will have made various IRA distributions, which although reportable, will not result in any taxes being owed. Being reportable means the individual must explain or report the transaction on his or her tax return. This article focuses on the taking of certain distributions from one or more IRAs and the proper completing of lines 15a and 15b on the Form 1040. The IRS instructions for completing lines 15a and 15b are set forth at the end of this article. Both traditional IRA and Roth IRA transactions are covered together on these two lines. If you are married and filing a joint income tax return, then you will list the combined amounts for the two of you. Many times Form 8606 will also need to be completed. **There will be times when the individual will want to attach a note of explanation to his or her tax return. This will normally be done when there is more than one of the distributions/exceptions described below.**

Any CWF newsletter subscriber is authorized to photocopy this article and furnish it to your IRA client.

The general rule is to fill in the amount of the IRA distribution on line 15b and leave line 15a blank. The reason for this approach is that most distributions are from traditional IRAs and in most cases 100% of the amount distributed from a traditional IRA is required to be included in income and is taxable.

There are four (4) major exceptions when the taxpayer is to complete both lines 15a and 15b.

Exception #1 - Rollovers

Funds can be withdrawn from an IRA and re-deposited via a rollover contribution into another IRA. Rollovers can be made from a traditional IRA to another traditional IRA or from a Roth IRA to another Roth IRA. For example, if Jane Doe withdraws $16,000 from traditional IRA # 1 at IRA custodian # 1 and re-deposits the entire amount into a traditional IRA with IRA custodian #2, the $16,000 will need to be inserted on line 15a (gross amount) and a 0.00 will be inserted on line 15b (taxable amount). The word, “rollover” is to be written to next to line 15b. You ,as the IRA custodian, will have prepared a Form 1099-R showing the $16,000 in box 2a (taxable amount) while checking box 2b.

Funds can be withdrawn from an IRA and re-deposited via a rollover contribution into an employer plan if the employer plan is written to permit such contributions. For example, if John Roe withdraws $9,000 from IRA #1 at IRA custodian #1 and re-deposits the entire amount into IRA with IRA custodian #2., the $9,000 will need to be inserted on line 15a (gross amount) and a 0.00 will be inserted on line 15b (taxable amount). The word, “rollover” is to be written to the left of line 15b. You, as the IRA custodian, will have prepared a Form 1099-R showing the $9,000 in box 2 (taxable amount).

In many cases the IRA client will have taken a distribution in addition to his or her rollover distribution. Assume that Jane Doe took her RMD distribution of $440 in addition to the $16,000 distribution she rolled over. In this case, line 15a would be completed with $16,440 and line 15B would be completed with $440.00. She would still write “rollover” to the left of line 15b. You as the IRA custodian will have prepared a Form 1099-R showing the $16,440 in box 2 (taxable amount).

Exception #2 - Qualified Charitable Distributions

Quite a few IRA clients took qualified charitable distributions during 2007. These distributions were tax-free. However, the individual must complete lines 15a and 15b to explain that no taxes are owed with respect to this distributions or distributions. The IRA custodian is to prepare the Form 1099-R as you would for any other distribution being made to a person who is age 70½ or older. Reason code 7 is inserted in box 7 of the Form 1099-R. “QCD” is to be written to next to line 15b.

Illustration. Julianna Noe is 73. Her required distribution amount for 2007 was $3,500. She withdrew $1,000 in February of 2007. At the time she had not yet learned about the special tax rule allowing for qualified charitable distributions to count as a required distribution. In November she had instructed three different IRA custodians to withdraw $15,000 from her

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IRA and give it to the Salvation Army. They did so. She received three 1099-R forms: one for $16,000 and two for $15,000. She would complete line 15a with $46,000 and line 15B with $1,000 and then she would write to the left of line 15a the acronym, "QCD."

Exception #3 - Qualified HSA Funding Distribution (QFD)

As of January 1,2007, certain IRA accountholders who were also eligible to make a 2007 HSA contribution were authorized on a tax free basis to move a certain sum from his or her IRA to his or her HSA.

The IRA custodian is to report this as you would any other distribution to the individual. If the individual is age 59% or older, you would insert a reason code 7 in box 7 on the Form 1099-R If the individual is under age 59%, then you would insert a reason code 1 (premature distribution, no known exception)in box 7.

Illustration. Mary Thomas, age 39, has an IRA and an HSA. She is eligible to contribute $5,650 for 2007 as she has family HDHP coverage and her husband is not eligible for an HSA. She instructs her IRA custodian to directly roll-over $5,650 on 12-10-07 to her HSA. The funds are moved. Mary will be sent a 2007 Form 1099-R showing a distribution of $5,650.00. The reason code in box 7 will be a "1." She will complete line 15a to show the gross distribution of $5,650.00. She will complete line 15b with a 0.00 and she will enter HFD next to line 15b.

Exception #4 - Distributions When There is Basis Or Certain "Corrective" Situations

In the following situations the IRA accountholder is to insert the gross distribution amount on line 15a and then he or she must see Form 8606 to determine the taxable amount to be inserted on line 15b.

1. The individual has a traditional IRA and he or she has made nondeductible IRA contributions in 2007 or a prior year.
2. The individual received a distribution from a Roth IRA. However, if the reason code is a "Q" or a "T" (and the five year period has been met) in box 7 then you are allowed to insert a 0.00 on line 15b.
3. The individual made a conversion contribution to a Roth IRA in 2007 from a traditional, SEP or SIMPLE IRA.
4. The individual withdrew a current year contribution plus any related earnings/losses by the tax return due date plus extensions.
5. The individual withdrew an excess contribution from a prior year.
6. The individual made a recharacterized contribution in 2007.

Set forth below is the IRS instructions for IRA Distributions (Lines 15a and 15b) from pages 21 and 22 of the 1040 instruction booklet. You will note that CWF's order of the exceptions is different than the IRS order.

IRA Distributions

You should receive a Form 1099-R showing the amount of any distribution from your IRA. Unless otherwise noted in the line 15a and 15b instructions, an IRA includes a traditional IRA, Roth IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Except as provided below, leave line 15a blank and enter the total distribution on line 15b.

Exception 1. Enter the total distribution on line line 15a if you rolled over part or all of the distribution from one:

• IRA to another IRA of the same type by (for example, from one traditional IRA to SEP another traditional IRA), or eligible

• SEP or SIMPLE IRA to a traditional IRA.

Also, enter "Rollover" next to line 15b. year If the total distribution was rolled over in a joint qualified rollover, enter -0- on line 15b. If QCD the total distribution was not rolled over in QCD a qualified rollover, enter the part not rolled otherwise over on line 15b unless Exception 2 applies to the part not rolled over. Generally, a qualified rollover must be made within 60 be days after the day you received the distribution. For more details on rollovers, see Pub. 590.

If you rolled over the distribution into a qualified plan other than an IRA or you made the rollover in 2008, attach a statement explaining what you did.

Exception 2. If any of the following apply, enter the total distribution on line 15a and see Form 8606 and its instructions to figure from the amount to enter on line 15b.

1. You received a distribution from an IRA (other than a Roth IRA) and you made nondeductible contributions to any of your traditional or SEP IRAs for 2007 or an earlier year. If you made nondeductible contributions to these IRAs for 2007, also see Pub. 590.

2. You received a distribution from a Roth IRA. But if either (a) or (b) below applies, enter -0- on line 15b; you do not have to see Form 8606 or its instructions.

a. Distribution code T is shown in box 7 of Form 1099-R and you made a contribution (including a conversion) to a Roth IRA for 2002 or an earlier year.

b. Distribution code Q is shown in box 7 of Form 1099-R.

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3. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2007.

4. You had a 2006 or 2007 IRA contribution returned to you, with the related earnings or less any loss, by the due date (including extensions) of your tax return for that year.

5. You made excess contributions to your IRA for an earlier year and had them

returned to you in 2007.

6. You recharacterized part or all of a contribution to a Roth IRA as a traditional IRA contribution, or vice versa.

Exception 3. If the distribution is a qualified charitable distribution (QCD), enter the total distribution on line 15a. If the total amount distributed is a QCD, enter -0- on line 15b. If only part of the distribution is a QCD, enter the part that is not a QCD on line 15b unless Exception 2 applies to that part. Enter "QCD" next to line 15b.

A QCD is a distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions (with certain exceptions). You must have been at least age 70½ when the distribution was made. Your total QCDs for the year cannot be more than $100,000. (On a joint return, your spouse can also have a QCD of up to $100,000.) The amount of the QCD is limited to the amount that would otherwise be included in your income. If your IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income. See Pub. 590 for details.

CAUTION: *You cannot claim a charitable contribution deduction for any QCD not included in your income.*

Exception 4. If the distribution is a qualified health savings account (HSA) funding distribution (HFD), enter the total distribution on line 15a. If the total amount distributed is an HFD and you elect to exclude it from income, enter -0- on line 15b. If only part of the distribution is an HFD and you elect to exclude that part from income, enter the part that is not an HFD on line 15b unless Exception 2 applies to that part. Enter "HFD" next to line 15b.

An HFD is a distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to your HSA. If eligible, you generally can elect to exclude an HFD from your income once in your life time. You cannot exclude more than the limit on HSA contributions or more than

the amount that would otherwise be included in your income. If your IRA includes nondeductible contributions, the HFD is first considered to be paid out of otherwise taxable income. See Pub. 590 for details.

CAUTION: The amount of an HFD reduces the amount you can contribute to your HSA for the year. If you fail to maintain eligibility for an HSA for the 12 months following the month of the HFD, you may have to report the HFD as income and pay an additional tax. See Form 8889, Part III.

Note. If you (or your spouse if filing jointly) received more than one distribution, figure the taxable amount of each distribution and enter the total of the taxable amounts on line 15b. Enter the total amount of those distributions on line 15a.

CAUTION: You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over, or (b) you were born before July 1, 1936, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 60 that begin on page 41 for details. ◆

2007 Publication 590 Excerpt

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:
- $156,000 if filing a joint return or qualifying widow(er),
- $-0- if married filing a separate return and you lived with your spouse at any time in 2007, or
- $99,000 for all others . . . . **2.** ________

3. Subtract line 2 from line 1 . . . . **3.** ________

4. Enter:
- $10,000 if filing a joint return or qualifying widow(er) or married filing a separate return and you lived with your spouse at any time during the year, or
- $15,000 for all others . . . . **4.** ________

5. Divide line 3 by line 4 and enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000 . . . . **5.** ________

6. Enter the lesser of:
- $4,000 ($5,000 if you are age 50 or older, or $7,000 for certain employer bankruptcies), 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.*