



# THE Pension Digest

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"The Pension Specialists"



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## What's New for the 2009 Form 5498

2828		VOID		CORRECTED	
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, 14a, and 15a)		OMB No. 1545-0747	
		\$		2009	
		2 Rollover contributions		Form 5498	
		\$			
		3 Roth IRA conversion amount		4 Rethatadized contributions	
		\$		\$	
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	5 Fair market value of account		6 Life insurance cost included in box 1	
		\$		\$	
PARTICIPANT'S name		7 IRA		SIMPLE	
		8 SEP contributions		9 SIMPLE contributions	
		\$		\$	
Street address (including apt. no.)		10 Roth IRA contributions		11 Check if RMD for 2010	
		\$		<input type="checkbox"/>	
		12a RMD date		12b RMD amount	
				\$	
City, state, and ZIP code		13a Postponed contribution		13b Year	
		\$		13c Code	
		14a Repayments		14b Code	
		\$			
Account number (see instructions)		15a Other contributions		15b Code	
		\$			

Form 5498 Cat. No. 50010C Department of the Treasury - Internal Revenue Service

1. With the additional types of contributions now permissible, boxes 12a through 15b were added on the right side of the form. These additional boxes are used to report contribution information formerly reported in the blank box next to box 10.
2. Additional boxes were also added to provide more information regarding required distributions. In 12a the RMD date is reported and in 12b the amount of the RMD is reported. The instructions make it clear that RMD's for 2009 have been suspended.
3. The form had to be made larger for the additional boxes. The form was reformatted to 2 5498 forms a sheet versus the old 3 forms.

The IRS has a set of instructions for the IRA custodian to complete the Form 5498. These instructions are found in the 2009 Instructions for Forms 1099-R and

5498. The IRS also has instructions for the IRA "participant" on the reverse side of the actual 5498 form. The cardinal rule of 5498 preparation is that the IRA custodian must file a Form 5498 for each IRA plan agreement. Examples.

The IRA custodian must file two 5498 forms if a person has two traditional IRAs, or if he or she has one traditional IRA and one Roth IRA, or if he has one traditional IRA as an owner and one traditional IRA as an inherited IRA, or three 5498s if a person has one traditional IRA, one Roth IRA and one inherited IRA.

We discuss each of the various boxes on the 2009 Form 5498. The new boxes are discussed first and then the old boxes.

### The New Boxes.

Boxes 12a and 12b. Completing these boxes is not mandatory. An IRA custodian

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may choose to complete these boxes in order to comply with the RMD disclosure duties. Or, the IRA custodian may continue to provide a separate RMD notice. The person's RMD deadline date is inserted in box 12a. The person's RMD amount is inserted in box Box 12b.

Box 13a. If an accountholder informed you that he or she was making a postponed contribution in 2009 for a prior year, this box is where the amount is inserted. If a person makes contributions for more than one earlier year, there will need to be a separate Form 5498 filed for each additional prior year contribution. See the separate article on page 6 discussing this topic in more detail.

Box 13b. If Box 13a was completed, then you must insert the prior year which the accountholder had designated.

Box 13c. A postponed contribution can be made for two of reasons. The IRS has created the following Codes to be used to denote the type of postponed contribution.

Enter AF, JE, EF or IF for accountholders who have qualifying service in a combat zone or hazardous duty area:

- AF - Allied Force
- JE -Joint Endeavor
- EF - Enduring Freedom
- IF - Iraqi Freedom

Enter FD for qualifying or "affected taxpayers" as described in an IRS news release for certain federally designated disaster areas (Hurricanes and Midwestern Storms).

Box 14a. Any repayments of a qualified reservist distribution or a federally designated disaster distribution are to be reported in this box.

Box 14b. Code QR is used for the repayment of a qualified reservist distribution, and Code DD is used for the repayment of a qualified disaster distribution.

Box 15a. The amount of any special catch-up contributions due to certain employer bankruptcies are reported in this box. The amount cannot be more than \$3,000. Unless the law is extended, this box will be used for other reasons starting in 2010 since the law authorizing such catch-up contributions only applies for 2006-2009.

Box 15a. Insert BK when there is an amount inserted in Box 15a.

***New Information To Be Reported in Certain Boxes.***

Box 2. There are now many types of rollovers eligible to be made to a traditional IRA and/or a Roth IRA. Some of the rollovers may only be made to a Roth IRA. In this box the IRA custodian is to report the aggregate total of all rollover contributions. The rollover amount to be reported is the fair market value on the date received by the IRA custodian and not the date received by the individual. Rollovers to an IRA may be any of the following:

1. A direct or indirect rollover from a qualified plan (including a governmental section 457(b) plan or section 403(b) plan;
2. Any qualified rollover contribution as defined in section 408A(e) from an eligible retirement plan (other than a IRA) to a Roth IRA (i.e. a quasi-conversion directly from an employer plan to a Roth IRA);
3. A military death gratuity (only to a Roth IRA);
4. An SGLI payment (only to a Roth IRA);
5. Qualified settlement income received in connection with the Exxon Valdez litigation;
6. Airline payment amounts (only to a Roth IRA)

***CWF's Observations For Existing Boxes***

1. On the bottom left there is an "Account Number" box. The IRA custodian is required to insert an account number in this box when filing more than one Form 5498 for the same person. If your institution wants to earn some bonus points with the IRS, you will complete this box even though it is not required. A unique number should be used. Using such a number helps the IRS to process corrected information accurately. The account number may be a checking or savings account number or some other unique number with respect to an individual. The number must not appear anywhere else on the form (i.e. it cannot be the social security number).
2. Box 1. Regular traditional IRA contributions and any other contributions ineligible to be reported in boxes 2-4, 8-10, 13a, 14a, and 15a are to be reported here. Enter contributions to a traditional IRA made from January 1, 2009 to April 15, 2010 for 2009. All such contributions are aggregated and reported in this box. If the amount exceeds the annual contribution limit of \$6,000 for a person age 50 or over, the IRS

**What's New,  
Continued from page 2**

- and the individual are informed that an excess contribution has been made.
3. Box 3. Enter the amount converted or reconverted from a non-Roth IRA (traditional, SEP or SIMPLE) to a Roth IRA. Do not include amounts converted from an employer plan.
  4. Box 4. Enter any amount recharacterized (including any earnings/losses) during 2009.
  5. Box 5. Enter the FMV of the IRA as of December 31, 2009 unless the IRA is an inherited IRA. If the IRA is an inherited IRA, the IRA custodian may either report the value as of the date of death or report a \$0.00.
  6. Box 6. Does not apply to bank or credit union IRAs.
  7. Box 7. Checking the applicable type of IRA (traditional, SEP, SIMPLE or Roth) is now mandatory. In prior year's instructions, checking a box was mandatory in only certain situations.
  8. Box 8. Enter the amount of employer SEP contributions, including elective deferrals by employees under a SARSEP made during 2009 regardless of what tax year the employer designates the contributions. Such a contribution could either be designated for 2008 or 2009. It also includes the amount made by a self-employed person as the employer. An employer contribution made in 2010 for 2009 will be reported in box 8 of the 2010 Form 5498.
  9. Box 9. Enter the amount of employer contributions, including elective deferrals by employees and employer matching contributions under a SIMPLE made during 2009 regardless of what tax year the employer designates the contributions. Such a contribution could either be designated for 2008 or 2009. It also includes the amount made by a self-employed person as the employer. An employer contribution made in 2010 for 2009 will be reported in box 9 of the 2010 Form 5498.
  10. Box 10. Enter any regular contributions made to a Roth IRA made from January 1, 2009 to April 15, 2010 for 2009. All such contributions are aggregated and reported in this box. If the amount exceeds the annual contribution limit of \$6,000 for a person age 50 or over, the IRS and the individual are informed that an excess contribution has been made.
  11. Box 11. The RMD box is to be checked for any individual who attains age 70½ or older in 2010. ♦

## Understanding the 1099-R Reporting of Qualified Charitable Distributions from IRAs

In October of 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008. This major tax law contained numerous tax law changes. One of the law changes was to extend for 2008 and 2009 the tax-free distributions from IRAs for charitable purposes.

Quite a few IRA accountholders and tax preparers believe an IRA custodian/trustee should be reporting qualified charitable distributions in a special way so that the IRS and the individual are informed that the distribution was tax-free because it was given to a charity. When the IRA custodian/trustee does not do this special reporting, the IRA accountholders and tax preparers believe the reporting forms have been prepared incorrectly.

A person can certainly argue that IRS procedures should require the IRA custodian/trustee to do such special reporting, but the fact is, IRS procedures do not require or permit any special reporting.

The IRS has written instructions for Form 1099-R for the IRA distributions, including qualified charitable distributions. See the Instructions for Forms 1099-R and 5498 on page 5.

The IRS has also written instructions for the IRA accountholder/taxpayer and his or her tax preparer to report the receipt of, and the tax effect of, IRA distributions. See the IRS Instructions for Form 1040.

The problem/reality is the IRS does not have any special reporting for qualified charitable distributions. It is left to the taxpayer/IRA accountholder and the tax preparer to explain that the distribution is tax-free because it was a qualified charitable distribution.

Note that the 2008 instructions were not changed or revised to reflect the October law change extending the tax-free charitable distributions. Rather than changing the 2008 instructions, it appears the IRS decided to issue the 2009 instructions as soon as possible. The 2009 instructions again set forth the special TIP that "there is no special reporting for qualified charitable

**Reporting Charitable Distributions,**  
**Continued from page 3**

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distributions described in section 408(d)(8)..." This is tax-speak. In plain english it means, the IRA custodian is to prepare the Form 1099-R in the same way it always does when a distribution is made to a person over the age of 59½. That is, for a traditional IRA, a code 7 is to be inserted in box 7 of the Form 1099-R and code Q or T is used for a Roth IRA. Boxes 1 and 2a are to be completed in the standard manner.

The February newsletter covered the fact that the IRS is adopting new procedures with respect to completing box 2a of the 2009 Form 1099-R. As with the Roth IRA, box 2a is normally to be left blank and it will be up to the IRA accountholder/taxpayer to explain whether an IRA distribution is taxable or not.

The 2008 policy for reporting qualified charitable distributions is the same policy which also existed for 2007.

This policy will not be changing for 2009.

Since the extension of tax-free distributions for 2008 and 2009 did not become law until October of 2008, Congress gave the IRS very little time to implement this law change.

On page 23 of the taxpayer's 1040 instruction booklet, an explanation is made as to how and when lines 15a and 15b are completed. These are the lines used to explain IRA Distributions. The general rule is that most IRA distributions are fully taxable so line 15a is left blank and the taxable amount is inserted on line 15b. However, there are five (5) exceptions listed. Exception 3 deals with the distribution being a qualified charitable distribution (QCD). If the total distribution is a QCD, enter 0 on line 15b. If only part of the distribution is a QCD, enter the part that is not a QCO on line 15b

In summary. An IRA custodian/trustee has not made a mistake when it completes the 1099-R form as a "normal" distribution even though it knows the distribution was a qualified charitable distribution. It is the IRA accountholder/taxpayer who must complete lines 15a and 15b to show that the distribution is not taxable because it was a qualified charitable distribution.

See page 5 for IRS Instructions on the QCD.

## **Understanding the Form 1099-R Reporting of Qualified HSA Funding Distributions from IRAs**

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Quite a few IRA accountholders and tax preparers believe an IRA custodian/trustee should be reporting qualified HSA funding distributions in a special way so that the IRS and the individual are informed that the distribution was tax-free because the funds were transferred or directly rolled over into an HSA. When the IRA custodian/trustee does not do this special reporting, they believe the reporting forms have been prepared incorrectly. They have not been. A person can certainly argue that IRS procedures should or could require the IRA custodian/trustee to do such special reporting, but the fact is, IRS procedures do not require or permit any special reporting. In fact, I believe the IRS is being reasonable in not having an special "non-taxable" report. A taxpayer is only eligible to make a tax free transfer from his or her HSA if he or she is eligible to make a current year HSA contribution. Many times the IRA custodian will not have this HSA eligibility information. Consequently, the IRS has adopted the approach that the IRA custodian will report the distribution as any other normal distribution (code 7 if 59½ or over and code 1 if less than age 59½ from a traditional IRA and codes J, Q or T from a Roth IRA) and it is up to the individual to claim the no taxation treatment when he or she completes the 1040 tax return. The IRS has written instructions for the IRA custodian/trustee discussing the reporting procedures for IRA distributions, including qualified HSA funding. See the Instructions for Forms 1099-R and 5498. The IRS has written instructions for the IRA accountholder/taxpayer and his or her tax preparer to report the receipt of, and the tax effect of, IRA distributions. See the IRS instructions for Form 1040 on page 5.

I have attached page 1 of the 2008 IRS Instructions for Forms 1099-R and also the 2009 Instructions for Forms 1099-R. Both the 2008 and 2009 instructions again set forth the special TIP that "there is no special reporting for qualified charitable distributions described in section 408(d)(8)..." This is tax-speak. In plain english it means, the IRA custodian is to prepare the Form



1099-R in the same way it always does when a distribution is made to a person. On page 23 of the taxpayer's 1040 instruction booklet, an explanation is made as to how and when lines 15a and 15b are completed. These are the lines used to explain IRA Distributions. The general rule is that most IRA distributions are fully taxable so line 15a is left blank and the taxable amount is inserted on line 15b. However, there are five (5) exceptions listed. Exception #4 deals with the distribution being a qualified HSA funding distribution (HFD). See below. If the total distribution is a HFD, enter 0 on line 15b. If only part of the distribution is a HFD, enter the part that is not a HFD on line 15b

In summary. An IRA custodian/trustee has not made a mistake when it completes the 1099-R form as a "normal" distribution even though it knows the distribution was a qualified HSA funding distribution. It is the IRA accountholder/taxpayer who must complete lines 15a and 15b to show that the distribution is not taxable because it was a qualified HSA funding distribution. ♦

## IRS Instructions To: IRA Custodian

### 2007 Instructions for Forms 1099-R and 5498

**TIP** *There is no special reporting for qualified charitable distributions described in section 408(d)(8), for qualified HSA funding distributions described in section 408(d)(9), or for the payment of qualified health and long-term care insurance premiums for retired public safety officers described in section 402(l).*

2008 Instructions for Forms 1099-R and 5498

**Qualified charitable distributions.** Information relating to the reporting requirements for eligible charitable distributions under section 408(d)(8) has been deleted from the TIP on this page due to expiration of the provision.

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

2009 Instructions for Forms 1099-R and 5498

**Qualified charitable distributions.** Qualified distributions from IRAs for charitable purposes may be made through December 31, 2009.

**TIP** *There is no special reporting for qualified charitable distributions described in section 408(d)(8), qualified HSA funding distributions described in section 408(d)(9), or for the payment of qualified health and long-term care insurance premiums for retired public safety officers described in section 402(l).*

## To: Accountholder

### 2008 Instructions for Form 1040

**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* or *Exception 5* 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.



*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* or *Exception 5* 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 lifetime. 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. 969 for details.



*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.*

## Withdrawing Interest from a Traditional IRA

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The federal income tax rule is, in general, the recipient will include the IRA distribution in his or her income and pay tax at his or her marginal tax rate. The 10% additional tax will apply if the person is younger than age 59½ unless an exception applies. From a tax standpoint, it makes no difference whether the IRA accountholder withdraws interest or principal. However, there will be times when an IRA accountholder asks about withdrawing his or her interest with respect to an IRA. Here is some basic information.

Banking rules allow a deposit instrument to be written by the bank to allow the depositor to withdraw the interest earned at any time and not be subject to the penalty for taking a distribution prior to maturity. This rule certainly applies to non-IRA deposit accounts.

The same rule also applies to IRA deposits. If the IRA deposit instrument allows the IRA accountholder to withdraw the interest, he or she may do so and the bank may not charge the early withdrawal interest penalty. However, whatever amount a person withdraws prior to age 59½, whether interest or contributions, is includable in income and is subject to the 10% additional tax, unless an exception would be met.

Summary. Whether a person can withdraw funds penalty free from an IRA CD depends on how the IRA CD has been written. It could be written to not allow such a distribution. If your bank is using the same CD instrument for both IRAs and Non-IRAs, then the distribution could be taken without the "bank" penalty being imposed.

## Withdrawing Interest for a Roth IRA

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As described in the adjacent article, banking rules allow a deposit instrument to be written by the bank to allow the depositor to withdraw the interest earned at any time and not be subject to a penalty for taking a distribution prior to maturity. This rule applies to Roth IRAs as well as traditional IRAs.

There is a special twist, however, if the interest is withdrawn from a Roth IRA CD or time deposit. For federal income tax purposes, the special Roth IRA ordering rules defines three first class of funds distributed as being annual contributions, the second class of funds as distributed as being conversion contributions and the last class of funds as being earnings or income. Under the ordering rules a person having multiple Roth IRAs must aggregate all such Roth IRAs.

Consequently what is earnings from a Roth IRA CD in reality can be Roth contributions for tax purposes.

## Procedures for Preparing a Corrected Form 5498 for a Contribution to a Roth IRA When it was First Reported Incorrectly as a Contribution to a Traditional IRA

A financial institution adds a new IRA to its computer system, but it makes a mistake in doing so. The customer signed all of the forms for a Roth IRA, but somehow it was added to the computer system as a traditional IRA.

This article focuses on what correction is necessary for the following "contribution mistake." We will assume Jane Doe, age 37, opened her Roth IRA in 2007 for the 2007 tax year with a \$5,000 deposit at your institution. She made an additional \$5,000 contribution in 2008 for the 2008 tax year. She was sent a 2007 Form 5498 as set forth below. She has not yet been sent her 2008 Form 5498.

She has recently figured out that her 2007 Form 5498 is wrong. Her \$5,000 contribution is showing in box 1 when it should be showing in box 10. She wants to be furnished

as soon as possible a "correct 2007 form 5498. She wants you to assure her that she isn't going to have any difficulties with the IRS because of the institution's mistake.

### How is this error corrected?

On page 7 of the general 1099 instructions, the IRS sets forth its procedures for filing corrected returns on paper. There are two types of errors. When error type #1 occurs, only one return is needed to make the correction. Two separate returns are necessary to make the correction properly if error type #2 has occurred. An error with respect to a checkbox or a code, even if multiple errors, is an error type #1. The mix-up in type of IRA is a type #1 error. We confirmed this with the IRS.

### Error type 1 (one or more of the following)

1. Incorrect money amount(s), code, or checkbox; or
2. Incorrect address; or
3. Incorrect payee name; or
4. A return was filed when one should not have been filed.

### Error type 2 (one or more of the following)

1. No payee TIN; or
2. Incorrect payee TIN; or
3. Incorrect payee name and incorrect payee address; or
4. Original return was filed using wrong type of return. u

2007 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747		IRA Contribution Information
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) <b>\$5000.00</b>	2 Rollover contributions \$	
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number <b>123-45-6789</b>	3 Roth IRA conversion amount \$	4 Recharacterized contributions \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PARTICIPANT'S name <b>Jane Doe</b>		5 Fair market value of account <b>\$5000.00</b>	6 Life insurance cost included in box 1 \$	
Street address (including apt. no.)		7 <input checked="" type="checkbox"/> IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA	8 SEP contributions \$	
City, state, and ZIP code		9 SIMPLE contributions \$	10 Roth IRA contributions \$	
Account number (see instructions) <b>3100</b>		11 Check if RMD for 2008 <input type="checkbox"/>		
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service

The corrected 2007 Form 5498 needs to be prepared as shown below:

2007 <input type="checkbox"/> VOID <input checked="" type="checkbox"/> CORRECTED		OMB No. 1545-0747		IRA Contribution Information
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) <b>\$0.00</b>	2 Rollover contributions \$	
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number <b>123-45-6789</b>	3 Roth IRA conversion amount \$	4 Recharacterized contributions \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PARTICIPANT'S name <b>Jane Doe</b>		5 Fair market value of account <b>\$5000.00</b>	6 Life insurance cost included in box 1 \$	
Street address (including apt. no.)		7 <input type="checkbox"/> IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input checked="" type="checkbox"/> Roth IRA	8 SEP contributions \$	
City, state, and ZIP code		9 SIMPLE contributions \$	10 Roth IRA contributions <b>\$5000.00</b>	
Account number (see instructions) <b>3100</b>		11 Check if RMD for 2008 <input type="checkbox"/>		
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service

## Procedure for Preparing a Corrected Form 1099-R When One Should not Have Been Prepared Because There Never was a Reportable Distribution

The above mistake will happen. An IRA accountholder transfers funds from his or her traditional IRA with one IRA custodian to another traditional IRA with another custodian and the first IRA custodian mistakenly prepares a Form 1099-R. More common may be the situation where a financial institution transfers funds from a decedent's IRA into a nonspouse beneficiary's inherited IRA but still prepares a Form 1099-R with a reason code 4 in the name of the decedent. There are times when an IRA custodian prepares a Form 1099-R. #2. In error, she was sent the following 2008 Form.

### How is this error corrected?

For illustration purposes, we will assume the following error occurred. Jane Doe, Age 34 transferred \$20,500 from her traditional IRA with Institution #1 to her traditional IRA at Institution #2. In error, she was sent the following form.

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0047		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code				1 Gross distribution \$ <b>20500.00</b>		2008	
PAYER'S federal identification number				2a Taxable amount \$ <b>20500.00</b>		Form 1099-R	
RECIPIENT'S identification number <b>123-45-6789</b>				2b Taxable amount not determined <input checked="" type="checkbox"/>		Total distribution <input type="checkbox"/>	
RECIPIENT'S name <b>Jane Doe</b>				3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$	
Street address (including apt. no.)				5 Employee contributions (designated Roth contributions or insurance premiums) \$		6 Net unrealized appreciation in employer's securities \$	
City, state, and ZIP code				7 Distribution code(s) <b>1</b>		8 Other <input checked="" type="checkbox"/> IRA/SEP/SIMPLE	
1st year of design Roth contrib.				9a Your percentage of total distribution %		9b Total employee contributions \$	
Account number (see instructions)				10 State tax withheld \$		11 State/Payer's state no. \$	
				13 Local tax withheld \$		14 Name of locality \$	
				12 State distribution \$		15 Local distribution \$	

Form 1099-R Cat. No. 1445GQ Department of the Treasury - Internal Revenue Service

She has called Institution #1 because she has a copy of the transfer form she signed. She understands the 2008 Form 1099-R indicates she has \$20,500 of additional taxable income. She wants to be furnished a corrected 2008 Form 1099-R as soon as possible since she is seeing her tax preparer the next day. She wants you to assure her that she isn't going to have any difficulties with the IRS because of the institution's mistake.

As discussed in the February newsletter there are two types of errors in preparing reporting forms. This error is a Type 1 error. The corrected Form 1099-R is prepared as set forth below. The IRS distributions should do a better job of discussing this situation. Hopefully, the IRS instructions will be changed to do so. We called the IRS to confirm how the correction is made. A 0.00 is inserted in boxes 1 and 2a. Box 2b, box 7 and the type of IRA box (IRA/SEP/SIMPLE) in box 7 are to be left blank.

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0047		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code				1 Gross distribution \$ <b>0.00</b>		2008	
PAYER'S federal identification number				2a Taxable amount \$ <b>0.00</b>		Form 1099-R	
RECIPIENT'S identification number <b>123-45-6789</b>				2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>	
RECIPIENT'S name <b>Jane Doe</b>				3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$	
Street address (including apt. no.)				5 Employee contributions (designated Roth contributions or insurance premiums) \$		6 Net unrealized appreciation in employer's securities \$	
City, state, and ZIP code				7 Distribution code(s) <b>1</b>		8 Other <input type="checkbox"/> IRA/SEP/SIMPLE	
1st year of design Roth contrib.				9a Your percentage of total distribution %		9b Total employee contributions \$	
Account number (see instructions)				10 State tax withheld \$		11 State/Payer's state no. \$	
				13 Local tax withheld \$		14 Name of locality \$	
				12 State distribution \$		15 Local distribution \$	

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