THE Pension Digest

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

SIMPLE-IRA Summary Description — IRA Custodian Must Furnish by October 2015 for 2016

What are a financial institution's duties if it is the custodian or trustee of SIMPLE IRA funds? After a SIMPLE IRA has been established at an institution, it is the institution's duty to provide a Summary Description each year within a reasonable period of time before the employees' 60-day election period. CWF believes that providing the Summary Description 30 days prior to the election period would be considered "reasonable." The actual IRS wording is that the Summary Description must be provided "early enough so that the employer can meet its notice obligation." You will want to furnish the Summary Description to the employer in September or the first week of October. The employer is required to furnish the summary description before the employees' 60-day election period.

IRS Notice 98-4 provides the rules and procedures for SIMPLEs. This notice is reproduced in CWF's IRA Procedures Manual.

The Summary Description to be furnished by the SIMPLE IRA custodian/trustee to the sponsoring employer depends upon what form the employer used to establish the SIMPLE IRA plan.

The employer may complete either Form 5305-SIMPLE (where all employees' SIMPLE IRAs are established at the

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Form 1099-R Penalties Increase 100%-250% as of January 1, 2016

An IRA custodian must have an internal procedure to double-check their 1099-R forms before they are mailed to their IRA accountholders and filed with the IRS. This is going to be more true than ever in 2016 since the penalty amount of $100 per incorrect form is being increased to $250 per form. Remember there is one penalty with respect to the incorrect IRS filing and another penalty for furnishing an incorrect form to the individual.

On June 29, 2015, President Obama signed into law the "Trade Preferences Extension Act of 2015." Included within this law as an "Offset" was section 806. It increases the penalty and failure to file correct IRS information returns and provide payee statement. "Offset" is the Congressional jargon used to describe a new tax or penalty or an increased tax or penalty.

An article discussing in detail the increased penalties is set forth on page 4.

An IRA custodian/trustee is going to want to have its mainframe vendor confirm that its software can properly report the many types of IRA distributions. Our experience is that some IRA software does not do a good job of reporting recharacterizing distributions and contributions. Some times personnel does not understand how to set the software system up to do the proper coding. Some

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SIMPLE-IRA Summary,
Continued from page 1

same employer-designated financial institution) or Form 5304-SIMPLE (where the employer allows the employees to establish the SIMPLE IRA at the financial institution of his or her choice).

There will be one Summary Description if the employer has used the 5305-SIMPLE form. There will be another Summary Description if the employer has used the 5304-SIMPLE form. If you are a user of CWF forms, these forms will be Form 918-A and 918-B.

The general rule is that the SIMPLE IRA custodian/trustee is required to furnish the summary description to the employer. This Summary Description will only be partially completed. The employer will be required to complete it and then furnish it to his employees. The employer needs to indicate for the upcoming 2016 year the rate of its matching contribution or that it will be making the non-elective contribution equal to 2% of compensation.

In the situation where the employer has completed the Form 5304-SIMPLE, the IRS understands that many times the SIMPLE IRA custodian/trustee will have a minimal relationship with the employer. It may well be that only one employee of the employer establishes a SIMPLE IRA with a financial institution. In this situation, the IRS allows the financial institution to comply with the Summary Description rules by using an alternative method.

To comply with the alternative method, the SIMPLE IRA custodian/trustee is to furnish the individual SIMPLE IRA accountholder the following:

✓ A current 5304-SIMPLE — this could be filled out by the employer, or it could be the blank form
✓ Instructions for the 5304-SIMPLE
✓ Information for completing Article VI (Procedures for withdrawal) (You will need to provide a memo explaining these procedures.)
✓ The financial institution's name and address.

Obviously, if an institution provides the employee with a blank form, he/she will need to have the employer complete it, and, the employee may well need to remind the employer that it needs to provide the form to all eligible employees.

CWF has created a form which covers the "alternative" approach of the Summary Description being provided directly to an employee.

The penalty for not furnishing the Summary Description is $50 per day.

Special Rule for a "transfer" SIMPLE IRA.

There is also what is termed a "transfer" SIMPLE IRA. If your institution has accepted a transfer SIMPLE IRA, and there have been no current employer contributions, then there is no duty to furnish the Summary Description.

If there is the expectation that future contributions will be made to this transfer SIMPLE IRA, then the institution will have the duty to furnish the Summary Description.

Reminder of Additional Reporting Requirements

The custodian/trustee must provide each SIMPLE IRA account holder with a statement by January 31, 2016, showing the account balance as of December 31, 2015, (this contribution and distribution is the same as for the traditional IRA), and include the activity in the account during the calendar year (this is not required for a traditional IRA). There is a $50 per day fine for failure to furnish this statement (with a traditional IRA, it would be a flat $50 fee). ◆

Is it Still Possible to Establish a SIMPLE-IRA Plan for 2015?

Yes, if the sponsoring business has never sponsored a SIMPLE-IRA Plan before and if the business has not made any contributions for 2015 to another type of retirement plan (e.g. profit sharing plan or SEP).

A person or business can set up a SIMPLE-IRA plan effective on any date between January 1 and October 1 of a year, provided it did not previously maintain a SIMPLE-IRA plan. This requirement does not apply if there is a new employer that comes into existence after October 1 of the year the SIMPLE-IRA plan is set up and you set up a SIMPLE-IRA plan as soon as administratively feasible after you come into existence. If it previously maintained a SIMPLE-IRA Plan, it can set up a SIMPLE-IRA plan effective only on January 1 of a year. A SIMPLE-IRA plan cannot have an effective date that is before the date you actually adopt the plan.

1099-R Penalties,
Continued from page 1

times distributions from Roth IRAs are reported using the wrong IRA distribution code(s.)

The law has minimal tolerance for errors. Although this article has discussed the new penalties as they relate the Form 1099-R, the same penalties will apply to many other IRS reporting forms (e.g. W-2, 1099 series, and ACA forms). We understand the $50 per return failures penalty still applies for failure to timely file Forms 5498, 5498-ESA, 1099-Q, 5498-SA and 1099-SA.

Email Consulting Guidance

Divorced Spouse Did NOT Remove the Ex-spouse As Her IRA Beneficiary

Q-1. We have a deceased IRA accountholder. She named her spouse as her primary beneficiary. Her address is in Massachusetts, his is in South Carolina. I sent him notification, I received no response. I sent a second notification certified with no response yet.

I pulled the Death Certificate, it states they are divorced.

He would now be handled as a non-spouse Ben, correct?

Is it my responsibility to notify him of the gift disclaimer, or, (as I have stressed to him in my letter with the notification that he should seek legal and or tax advice), up to who he speaks with to notify him of the gift disclaimer, regarding not wanting to take over the IRA funds as beneficiary?

A-1. Yes, he is a nonspouse beneficiary. I would confirm with the bank's attorney that under Mass. law he is still the designated beneficiary. Under some state laws a divorce automatically terminates a person status as a beneficiary of IRAs and insurance policies.

Your advice to him to seek legal guidance is excellent and should cover the disclaimer topic.

You could also mention to him the state escheat laws do apply to this inherited account so hopefully he will inform you how he will proceed.

Nursing Home Claims Against IRAs

Q-2. I have a deceased situation... Grandmother passes, 2 granddaughters 50-50. Nursing home is harassing daughter about IRA being listed as asset. I told one granddaughter as beneficiary, the nursing home cannot touch the IRA, the IRA beneficiary designation is a legal binding document, the funds belong to the beneficiary only. It supersedes any other document. Please tell me I am correct on this one.

A-2. Your nursing home situation is one which I expect is starting to arise more frequently.

In general the IRA beneficiary designation means the two granddaughters are the owners. However, the bank will want to determine the extent to which the nursing believes it has a legal claim to the IRA assets. What documents were signed by the individual and the nursing home? If the IRA owner did pledge her IRA as collateral to pay her nursing home debts, a prohibited transaction occurred at that point in time. Applicable IRS reporting forms would need to be prepared. In effect, the IRA would have ceased to be an IRA. The bank's attorney would need to determine if the nursing home's legal claim is superior to that of the granddaughters.

If she did not pledge her IRA as collateral, then the granddaughters will "inherit" the IRA and they could decide if they would pay any nursing home bills.

The bank's attorney should be contacted so procedures can be developed for future nursing home situations.

Surviving Spouse May Wait to Elect to Treat As Own

Q-3. We have an inherited IRA with a spouse-beneficiary that we have left as an inherited IRA (rather than her claiming as her own). We left it that way because she was under 59½ (and her husband was as well before passing) so she would have the option of taking IRA withdrawals without IRS penalty. She is now 59½ and we would like to transfer the inherited IRA into her existing IRA. What form would we use for that transfer? Am I correct in saying there will not be a distribution code?

A-3. A surviving spouse has the right at any time to elect to treat her deceased spouse's IRA (now her inherited IRA) to be her own IRA.

Administratively, this can be done in various ways. One simple way is to have her complete the standard IRA distribution form and check code box 12 (treat as own). And then on the contribution form, "transfer, surviving spouse elects to treat as own."

You are correct that these two transactions are nonreportable "transfer" transactions.

IRS Reporting Penalties For Incorrect 2015 Form 1099-Rs Filed in 2016

The general rule is: an IRA custodian may be assessed a tax penalty as defined below if it prepares a 2015 Form 1099-R incorrectly or fails to prepare a required form. It does not matter if the IRA custodian is a paper filer or is an electronic filer.

1. The penalty is $250 per 2015 Form 1099-R if filed after August 1, 2016, or if not filed. The maximum penalty for 2016 is $3,000,000 if not a small business and $1,500,000 if a small business.

The law has been written to create an incentive for the IRA custodian or any reporting entity to correct a mistake as soon as possible. Thus a lesser penalty applies in the following situations.

2. The penalty is $50.00 per Form 1099-R if corrected within the first 30 days of the initial deadline to furnish/file the form. The maximum penalty is reduced to $500,000 per year if not a small business and $175,000 per year if a small business.
3. The penalty is $100.00 per Form 1099-R if not corrected within the first 30 days of the initial deadline to furnish/file the form, but is corrected by August 1, 2016. The maximum penalty is limited to $1,500,000 per year if not a small business and $500,000 per year if a small business.

The law does provide three exceptions to the imposition of the full penalty.

<u>Exception 1 is the de minimus exception</u>. The penalty will not be owed to a limited extent even if there is not a reasonable explanation for the error as long as three conditions are met. First, the incorrect forms were filed timely. Second, the error was that you failed to include all required information or you included incorrect information. Third, a corrected form was filed by August 1, 2016. If the three requirements are met, no penalty applies to the greater of: 10 forms or .005 times the total number of forms. For example, an IRA custodian with 800 1099-R forms would not be penalized for 4 of its incorrect forms or an IRA custodian with 3000 1099-R forms would not be penalized for 15 of its incorrect forms.

<u>Exception 2 is the reasonable cause exception.</u> The penalty will not be owed if an IRA custodian is able to furnish a reasonable cause. Some examples, the filing deadline was missed because there was an unintentional fire, or a severe storm. That is, the errors were not caused by the IRA custodian, but they were due to an event beyond its control, or due to significant mitigating factors. The IRA custodian must be able to show it acted reasonably and took steps to prevent the errors.

<u>Exception 3 is the inconsequential error or omission exception.</u> Even though this type of error has been made, the filing is not considered a failure to include the correct information. Errors and omissions relating to a person's TIN, surname or any money amount are never inconsequential. In order for an error to be inconsequential, the IRS must still be able process such transaction on the person's tax return.

CWF is unaware to the extent, if any, the IRA custodian will be able to lessen a penalty because the errors in the preparation of the 1099-R forms were due to the errors of the mainframe software vendor. CWF expects this argument would "win" in only rare situations.

Taxpayer Required to Report Certain CESA Distributions on Form 1040

When a distribution occurs with respect to a CESA, the CESA custodian furnishes the Form 1099-Q to the recipient and to the IRS. What is the CESA Designated Beneficiary to do with it?

He or she will report the taxable distributions on line 21 (Other Income) of line 21 of Form 1040. The non-taxable distributions are <u>not</u> to be reported on the individual's tax return. Most distributions from CESAs are non-taxable.

Distributions from a CESA are taxable only if the entire distribution was not used to pay a qualified higher education expense. And if the distribution is partially taxable and partially nontaxable, only the taxable portion is to be reported. For example, if a person withdraws $650 for noneducation reasons and $600 was a nondeductible contribution and $50 was the earnings on the $600, then only the $50 is taxable and reportable.

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CESA Distributions,
Continued from page 4

Any nontaxable CESA distribution is not required to be reported on line 21 or any other line on the Form 1040. **A rollover of a CESA distribution is not taxable and not to be reported.** Obviously, this procedure is different than the one applying to IRA rollovers which are required to be reported even though no tax is owing. A transfer distribution of a CESA is also not taxable and not to be reported.

If the CESA distribution is taxable, then most likely the CESA designated beneficiary will owe the 10% penalty applying when the funds were not used to pay a qualifying higher education expense. Part II of Form 5329 will need to be completed and attached to the Form 1040.

There are four exceptions when the distribution is taxable but the 10% is not owed. Remember that only the income portion of a CESA distribution is taxable and the return of contributions or the basis amount is not taxable.

First, the distribution is made on account of the designated beneficiary's disability or the death of the designated beneficiary.

Secondly, the distribution is included in income as the individual used the qualified education expense to determine his or her American opportunity or lifetime learning credits.

Thirdly, the distribution is included in income as the distribution was on account of the individual receiving a tax-free scholarship.

Fourthly, the distribution is included in income as the distribution was on account of the individual attending a U.S. military academy.

In summary, even though CESA custodian is required to prepare and furnish the Form 1099-Q to report a CESA distribution, the individual is not required to report many of the CESA distributions on his or her Form 1040 as only the taxable distributions are to be reported.

Email Consulting Guidance

Of Two IRA Distributions Only One is Eligible to be Rolled Over

Q-3. Our customer Mark took a distribution from his IRA on 6-18-15 for $3701.82. He then took a second distribution of $4924.16 on 7-30-15.

He came in today intending to redeposit all money he has taken out in the last two months. I told him that I did not think it was possible because it was taken out in 2 different distributions.

Is he only eligible to complete a rollover contribution on the 1st distribution on 6/18? This amount will be in box 2 of the 5498 and he should sign a Rollover Certification form, correct? I believe the remaining withdrawal on 7/30 will be taxable.

He has not had any other rollover contributions in this IRA for the past year.

A-3. A person is eligible to rollover only one IRA distribution in a twelve month period. A period who takes two distributions will need to decide which one to roll over. He is ineligible to rollover both distributions. There is no rule requiring the person to rollover the earliest distribution. He is eligible to roll over the distribution of $4924.16; he would then need to include the $3701.82 in his income. I would have him sign a rollover certification form.

IRS Reporting for State Levies on IRAs

Q-4. I have a customer who has a minimal IRA. We have received a government levy and will turn the balance over in the levy. Is there special coding for distribution since it is a levy?

A-4. IRS levies raise some interesting questions. I am assuming "government" means IRS and not the state of Minnesota.

If the person is age 59½ or older, code "7" applies on the Form 1099-R. If the person is under age 59½, code "2" applies.

If it would be the state of Minnesota, Code 7 would be used if 59½ or older, but "1" would be used if under age 59½.

As a reminder, the IRA custodian must furnish the withholding notice form and withhold 10% for any nonperiodic IRA distribution for federal income tax purposes unless the individual instructs to have no withholding or to have more withheld. Some individuals might instruct to have 100% withheld.

The IRS levy notice form should be read to see if the IRS has any discussion of the IRA withholding rule topic.

Taxpayer Required to Report Certain HSA Distributions on Forms 1040, 8889 and 5329

When an HSA distribution occurs, the HSA custodian must furnish by January 31st of the following year the Form 1099-SA to the recipient and to the IRS. Except for special situations such as a distribution on account of disability, death or the withdrawal of an excess contribution before the due date, the HSA custodian is instructed to insert a reason code "1" in box 3 of Form 1099-SA (HSA Distribution).

What is the HSA owner to do with the one or more 1099-SA forms he or she is furnished?

The HSA owner will use the Form 1099-SA and the Form 5498-SA along with certain information provided by his or her employer, if any, to prepare Forms 1040, 8889 and 5329. Forms 5329 and 8889 are attachments to go along with Form 1040 when applicable. It is up to the individual to explain to the IRS if he or she used the withdrawn HSA funds for qualified medical expenses or for non-medical reasons.

For Form 8889 purposes, the total HSA distribution amount is to be categorized to show: (1) any qualifying rollover amount which is nontaxable (2) the total of the other nontaxable distributions and (3) the total of the taxable distributions. HSA funds which are transferred are not reported on the Form 1099-SA (distributions) or the Form 5498-SA (contributions and FMV) .

Such transferred HSA funds are non-taxable.

The total of the non-taxable HSA distributions is also to be set forth on line 15 of Form 8889. This is the total of the HSA distributions used to pay qualified medical expenses.

The taxable HSA distributions as set forth on line 16 of Part XI of the Form 8889. This amount is also to be set forth on line 21 (other income) of line 21 of Form 1040. A person with an HSA distribution is not permitted to file Form 1040-A or Form 1040-EZ. A non-resident with an HSA distribution is to complete Form 1040-NR.

A distribution from an HSA is tax-free if it is used exclusively to pay qualified medical expenses of the HSA owner, his or her spouse or dependent. Any part of a distribution used for a reason other than paying a qualified medical expense is taxable (to be included in taxable income) and is subject to the additional 20% penalty tax unless an exception applies. The main exceptions are, the HSA owner is disabled, has attained age 65 or he or she has died and the distribution is to a beneficiary.

Line 17 on Form 8889 handles the 20% penalty topic. The box set forth on line 17a is to be checked when the 20% tax is not owed on account of one or more of the exceptions being met. On line 17b the individual calculates the 20% tax which is owed and lists this amount. There is no express line to indicate the amount of the distributions which are not subject to the 20% tax. This tax amount is also to be set forth on line 62 of the Form 1040. Line 62 is for "other taxes." Line 62 is used to report any taxes not reported elsewhere on the individual's tax return or other schedules.

What about distributions occurring before the individual has satisfied the testing period for the last month rule and/or the testing period for the qualified HSA funding distribution?

The individual will need to include the applicable amount(s) in his or her income and will show this amount on line 21 of Form 1040. Part III of Form 8889 should be reviewed. Part III is titled, "Income and Additional Tax for Failure to Maintain HDHP Coverage." On line 21 of Form 8889 the individual indicates the total amount to be included in income. And on line 21 of Form 8889 (Part III) the individual calculates the 10% tax which is owed and lists this amount. This 10% tax amount is also to be set forth on line 62 of the Form 1040. Line 62 is for "other taxes." Line 62 is used to report any taxes not reported elsewhere on the individual's tax return or other schedules.

With respect to the last month rule, the testing period begins with the last month of the individual's tax year and ends on the last day of the 12th month following such month. For example, a person using the last month rule for 2014 has a testing period of 12/31/14 to 12/31/15. If the person fails to be an HSA eligible individual during this period for any reason other than death or disability, he or she must include in his or her income the additional contribution amount allowed and made by using the last month rule. Such amount is

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HSA Distributions,
Continued from page 6

also subject to a special 10% additional tax.

With respect to a qualified HSA funding distribution, the testing period begins with the month in which the qualified HSA funding distribution is contributed and ends on the last day of the 12th month following that month. For example, if the qualified HSA funding contribution is made on May 16, 2015, the testing period ends on May 31, 2016. If the person fails to be an HSA eligible individual during this period for any reason other than death or disability, he or she must include in his or her income the amount of the qualified HSA funding distribution. Such amount is also subject to a special 10% additional tax.

What is the IRS reporting with respect to the withdrawal of an excess HSA contribution, how does the HSA custodian report this distribution and how does the individual report the withdrawal on his or her tax return?

The rules applying to excess HSA contributions are similar to those applying to excess IRA contributions, but there are some major differences.

If the HSA owner withdraws the excess HSA contribution prior to the due date of the tax return, the same rules apply as when an excess IRA contribution in withdrawn before the due date of the tax return. If the excess contribution as adjusted for earnings or losses is withdrawn, then the distribution is not included income (except for the income, if any) and the 6% excise will not be owed. The HSA custodian will prepare box 3 of the Form 1099-SA and will insert code "2" to show a distribution of an excess contribution is taking place. Box 2 is to be completed with with the amount of related income or a $0.00 if there was $0.00 earnings or a loss. The HSA owner will complete Part VII of Form 5329 to indicate that the 6% excise tax was not owed as the excess was corrected by taking a distribution.

If the HSA owner withdraws the excess HSA contribution on or after the due date, the HSA tax results are very different than the IRA Tax results. The withdrawal of the excess contribution will mean the 6% excise tax is not owed for the year of withdrawal. However, the individual must include this distribution in his or her income and the 20% tax will owed unless the age 65, disability or death exceptions apply. Even if such funds were withdrawn and used to pay qualified medical expense, such distribution would not be tax-free.

As discussed above, there are a number of HSA distribution rules which may apply to an HSA distribution. Some distributions are tax-free, some must be included in income and some are subject to a 20% additional tax. The HSA custodian will be required to prepare one or more Form 1099-SAs as multiple forms must be prepared when multiple distribution codes apply. The individual and his or her accountant will want to understand when lines 21, 59 and 62 of Form 1040 must be completed and how such lines are to be completed.

Draft as of 7-29-15

Form **1040** Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return **2015** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning , 2015, ending , 20 See separate instructions.

Your first name and initial | Last name | Your social security number

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | ▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Foreign country name | Foreign province/state/county | Foreign postal code

Filing Status
Check only one box.
1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions
6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☐ **Spouse**
Boxes checked on 6a and 6b
No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see instructions)
Dependents on 6c not entered above
Add numbers on lines above ▶

c Dependents:

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
			☐
			☐
			☐
			☐

If more than four dependents, see instructions and check here ▶ ☐

d Total number of exemptions claimed

Income
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a W-2, see instructions.

7 Wages, salaries, tips, etc. Attach Form(s) W-2 — 7
8a **Taxable** interest. Attach Schedule B if required — 8a
b **Tax-exempt** interest. **Do not** include on line 8a — 8b
9a Ordinary dividends. Attach Schedule B if required — 9a
b Qualified dividends — 9b
10 Taxable refunds, credits, or offsets of state and local income taxes — 10
11 Alimony received — 11
12 Business income or (loss). Attach Schedule C or C-EZ — 12
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ — 13
14 Other gains or (losses). Attach Form 4797 — 14
15a IRA distributions 15a | b Taxable amount — 15b
16a Pensions and annuities 16a | b Taxable amount — 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E — 17
18 Farm income or (loss). Attach Schedule F — 18
19 Unemployment compensation — 19
20a Social security benefits 20a | b Taxable amount — 20b
21 Other income. List type and amount — 21
22 Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ — 22

Adjusted Gross Income
23 Reserved — 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ — 24
25 Health savings account deduction. Attach Form 8889 — 25
26 Moving expenses. Attach Form 3903 — 26
27 Deductible part of self-employment tax. Attach Schedule SE — 27
28 Self-employed SEP, SIMPLE, and qualified plans — 28
29 Self-employed health insurance deduction — 29
30 Penalty on early withdrawal of savings — 30
31a Alimony paid b Recipient's SSN ▶ — 31a
32 IRA deduction — 32
33 Student loan interest deduction — 33
34 Reserved — 34
35 Domestic production activities deduction. Attach Form 8903 — 35
36 Add lines 23 through 35 — 36
37 Subtract line 36 from line 22. This is your **adjusted gross income** ▶ — 37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2015)

Form 1040 (2015) Page **2**

Tax and Credits
38 Amount from line 37 (adjusted gross income) — 38
39a Check if: { ☐ **You** were born before January 2, 1951, ☐ Blind. / ☐ **Spouse** was born before January 2, 1951, ☐ Blind. } Total boxes checked ▶ 39a
b If your spouse itemizes on a separate return or you were a dual-status alien, check here▶ 39b☐

Standard Deduction for—
• People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
• All others:
Single or Married filing separately, $6,300
Married filing jointly or Qualifying widow(er), $12,600
Head of household, $9,250

40 **Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin) — 40
41 Subtract line 40 from line 38 — 41
42 **Exemptions.** If line 38 is $154,950 or less, multiply $4,000 by the number on line 6d. Otherwise, see instructions — 42
43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- — 43
44 **Tax** (see instructions). Check if any from: a ☐ Form(s) 8814 b ☐ Form 4972 c ☐ — 44
45 **Alternative minimum tax** (see instructions). Attach Form 6251 — 45
46 Excess advance premium tax credit repayment. Attach Form 8962 — 46
47 Add lines 44, 45, and 46 ▶ — 47
48 Foreign tax credit. Attach Form 1116 if required — 48
49 Credit for child and dependent care expenses. Attach Form 2441 — 49
50 Education credits from Form 8863, line 19 — 50
51 Retirement savings contributions credit. Attach Form 8880 — 51
52 Child tax credit. Attach Schedule 8812, if required — 52
53 Residential energy credit. Attach Form 5695 — 53
54 Other credits from Form: a ☐ 3800 b ☐ 8801 c ☐ — 54
55 Add lines 48 through 54. These are your **total credits** — 55
56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- ▶ — 56

Other Taxes
57 Self-employment tax. Attach Schedule SE — 57
58 Unreported social security and Medicare tax from Form: a ☐ 4137 b ☐ 8919 — 58
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required — 59
60a Household employment taxes from Schedule H — 60a
b First-time homebuyer credit repayment. Attach Form 5405 if required — 60b
61 Health care: individual responsibility (see instructions) Full-year coverage ☐ — 61
62 Taxes from: a ☐ Form 8959 b ☐ Form 8960 c ☐ Instructions; enter code(s) — 62
63 Add lines 56 through 62. This is your **total tax** ▶ — 63

Payments
If you have a qualifying child, attach Schedule EIC.
64 Federal income tax withheld from Forms W-2 and 1099 — 64
65 2015 estimated tax payments and amount applied from 2014 return — 65
66a **Earned income credit (EIC)** — 66a
b Nontaxable combat pay election 66b
67 Additional child tax credit. Attach Schedule 8812 — 67
68 American opportunity credit from Form 8863, line 8 — 68
69 Net premium tax credit. Attach Form 8962 — 69
70 Amount paid with request for extension to file — 70
71 Excess social security and tier 1 RRTA tax withheld — 71
72 Credit for federal tax on fuels. Attach Form 4136 — 72
73 Credits from Form: a ☐ 2439 b ☐ Reserved c ☐ 8885 d ☐ — 73
74 Add lines 64, 65, 66a, and 67 through 73. These are your **total payments** ▶ — 74

Refund
75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you **overpaid** — 75
76a Amount of line 75 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐ — 76a
Direct deposit? See instructions.
▶ b Routing number ▶ c Type: ☐ Checking ☐ Savings
▶ d Account number
77 Amount of line 75 you want **applied to your 2016 estimated tax** ▶ 77

Amount You Owe
78 **Amount you owe.** Subtract line 74 from line 63. For details on how to pay, see instructions ▶ — 78
79 Estimated tax penalty (see instructions) — 79

Third Party Designee
Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☐ **No**
Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here
Joint return? See instructions. Keep a copy for your records.
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature | Date | Your occupation | Daytime phone number
Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only
Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN
Firm's name ▶ | Firm's EIN ▶
Firm's address ▶ | Phone no.

www.irs.gov/form1040 Form **1040** (2015)

Draft as of
6-19-15

Form **5329**

Department of the Treasury
Internal Revenue Service (99)

Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts

► Attach to Form 1040 or Form 1040NR.
► Information about Form 5329 and its separate instructions is at *www.irs.gov/form5329*.

OMB No. 1545-0074
2015
Attachment Sequence No. 29

Name of individual subject to additional tax. If married filing jointly, see instructions. | Your social security number

Fill in Your Address Only If You Are Filing This Form by Itself and Not With Your Tax Return

Home address (number and street), or P.O. box if mail is not delivered to your home | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).

If this is an amended return, check here ► ☐

Foreign country name | Foreign province/state/county | Foreign postal code

If you **only** owe the additional 10% tax on early distributions, you may be able to report this tax directly on Form 1040, line 59, or Form 1040NR, line 57, without filing Form 5329. See the instructions for Form 1040, line 59, or for Form 1040NR, line 57.

Part I **Additional Tax on Early Distributions.** Complete this part if you took a taxable distribution before you reached age 59½ from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040 or Form 1040NR—see above). You may also have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions (see instructions).

1	Early distributions included in income. For Roth IRA distributions, see instructions	1	
2	Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions: ______	2	
3	Amount subject to additional tax. Subtract line 2 from line 1	3	
4	**Additional tax.** Enter 10% (.10) of line 3. Include this amount on Form 1040, line 59, or Form 1040NR, line 57 **Caution:** *If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10% (see instructions).*	4	

Part II **Additional Tax on Certain Distributions From Education Accounts and ABLE Accounts.** Complete this part if you included an amount in income, on Form 1040 or Form 1040NR, line 21, from a Coverdell education savings account (ESA), a qualified tuition program (QTP), or an ABLE account.

5	Distributions included in income from a Coverdell ESA, a QTP, or an ABLE account	5	
6	Distributions included on line 5 that are not subject to the additional tax (see instructions)	6	
7	Amount subject to additional tax. Subtract line 6 from line 5	7	
8	**Additional tax.** Enter 10% (.10) of line 7. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	8	

Part III **Additional Tax on Excess Contributions to Traditional IRAs.** Complete this part if you contributed more to your traditional IRAs for 2015 than is allowable or you had an amount on line 17 of your 2014 Form 5329.

9	Enter your excess contributions from line 16 of your 2014 Form 5329 (see instructions). If zero, go to line 15	9	
10	If your traditional IRA contributions for 2015 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10	
11	2015 traditional IRA distributions included in income (see instructions)	11	
12	2015 distributions of prior year excess contributions (see instructions)	12	
13	Add lines 10, 11, and 12	13	
14	Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14	
15	Excess contributions for 2015 (see instructions)	15	
16	Total excess contributions. Add lines 14 and 15	16	
17	**Additional tax.** Enter 6% (.06) of the **smaller** of line 16 **or** the value of your traditional IRAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	17	

Part IV **Additional Tax on Excess Contributions to Roth IRAs.** Complete this part if you contributed more to your Roth IRAs for 2015 than is allowable or you had an amount on line 25 of your 2014 Form 5329.

18	Enter your excess contributions from line 24 of your 2014 Form 5329 (see instructions). If zero, go to line 23	18	
19	If your Roth IRA contributions for 2015 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19	
20	2015 distributions from your Roth IRAs (see instructions)	20	
21	Add lines 19 and 20	21	
22	Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Excess contributions for 2015 (see instructions)	23	
24	Total excess contributions. Add lines 22 and 23	24	
25	**Additional tax.** Enter 6% (.06) of the **smaller** of line 24 **or** the value of your Roth IRAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	25	

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13329Q Form **5329** (2015)

Form 5329 (2015) Page **2**

Part V **Additional Tax on Excess Contributions to Coverdell ESAs.** Complete this part if the contributions to your Coverdell ESAs for 2015 were more than is allowable or you had an amount on line 33 of your 2014 Form 5329.

26	Enter the excess contributions from line 32 of your 2014 Form 5329 (see instructions). If zero, go to line 31	26	
27	If the contributions to your Coverdell ESAs for 2015 were less than the maximum allowable contribution, see instructions. Otherwise, enter -0-	27	
28	2015 distributions from your Coverdell ESAs (see instructions)	28	
29	Add lines 27 and 28	29	
30	Prior year excess contributions. Subtract line 29 from line 26. If zero or less, enter -0-	30	
31	Excess contributions for 2015 (see instructions)	31	
32	Total excess contributions. Add lines 30 and 31	32	
33	**Additional tax.** Enter 6% (.06) of the **smaller** of line 32 **or** the value of your Coverdell ESAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	33	

Part VI **Additional Tax on Excess Contributions to Archer MSAs.** Complete this part if you or your employer contributed more to your Archer MSAs for 2015 than is allowable or you had an amount on line 41 of your 2014 Form 5329.

34	Enter the excess contributions from line 40 of your 2014 Form 5329 (see instructions). If zero, go to line 39	34	
35	If the contributions to your Archer MSAs for 2015 are less than the maximum allowable contribution, see instructions. Otherwise, enter -0-	35	
36	2015 distributions from your Archer MSAs from Form 8853, line 8	36	
37	Add lines 35 and 36	37	
38	Prior year excess contributions. Subtract line 37 from line 34. If zero or less, enter -0-	38	
39	Excess contributions for 2015 (see instructions)	39	
40	Total excess contributions. Add lines 38 and 39	40	
41	**Additional tax.** Enter 6% (.06) of the **smaller** of line 40 **or** the value of your Archer MSAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	41	

Part VII **Additional Tax on Excess Contributions to Health Savings Accounts (HSAs).** Complete this part if you, someone on your behalf, or your employer contributed more to your HSAs for 2015 than is allowable or you had an amount on line 49 of your 2014 Form 5329.

42	Enter the excess contributions from line 48 of your 2014 Form 5329. If zero, go to line 47	42	
43	If the contributions to your HSAs for 2015 are less than the maximum allowable contribution, see instructions. Otherwise, enter -0-	43	
44	2015 distributions from your HSAs from Form 8889, line 16	44	
45	Add lines 43 and 44	45	
46	Prior year excess contributions. Subtract line 45 from line 42. If zero or less, enter -0-	46	
47	Excess contributions for 2015 (see instructions)	47	
48	Total excess contributions. Add lines 46 and 47	48	
49	**Additional tax.** Enter 6% (.06) of the **smaller** of line 48 **or** the value of your HSAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	49	

Part VIII **Additional Tax on Excess Contributions to an ABLE Account.** Complete this part if contributions to your ABLE account for 2015 were more than is allowable

50	Excess contributions for 2015 (see instructions)	50	
51	**Additional tax.** Enter 6% (.06) of the **smaller** of line 50 or the value of your ABLE account on December 31, 2015. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	51	

Part IX **Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs).** Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.

52	Minimum required distribution for 2015 (see instructions)	52	
53	Amount actually distributed to you in 2015	53	
54	Subtract line 53 from line 52. If zero or less, enter -0-	54	
55	**Additional tax.** Enter 50% (.50) of line 54. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	55	

Sign Here Only If You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

► Your signature ► Date

Paid Preparer Use Only				
Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ►			Firm's EIN ►	
Firm's address ►			Phone no.	

Form **5329** (2015)

Draft as of 6-17-15

Form **8889**

Department of the Treasury
Internal Revenue Service

Health Savings Accounts (HSAs)

► Information about Form 8889 and its separate instructions is available at *www.irs.gov/form8889*.
► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074
2015
Attachment Sequence No. **53**

Name(s) shown on Form 1040 or Form 1040NR

Social security number of HSA beneficiary. If both spouses have HSAs, see instructions ►

Before you begin: Complete Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, if required.

Part I **HSA Contributions and Deduction.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part I for each spouse.

1	Check the box to indicate your coverage under a high-deductible health plan (HDHP) during 2015 (see instructions) . . . ► ☐ Self-only ☐ Family		
2	HSA contributions you made for 2015 (or those made on your behalf), including those made from January 1, 2016, through April 18, 2016, that were for 2015. **Do not** include employer contributions, contributions through a cafeteria plan, or rollovers (see instructions) . . .	2	
3	If you were under age 55 at the end of 2015, and on the first day of **every** month during 2015, you were, or were considered, an eligible individual with the **same** coverage, enter $3,350 ($6,650 for family coverage). **All others,** see the instructions for the amount to enter . . .	3	
4	Enter the amount you and your employer contributed to your Archer MSAs for 2015 from Form 8853, lines 1 and 2. If you or your spouse had family coverage under an HDHP at any time during 2015, also include any amount contributed to your spouse's Archer MSAs . . .	4	
5	Subtract line 4 from line 3. If zero or less, enter -0- . . .	5	
6	Enter the amount from line 5. But if you and your spouse each have separate HSAs and had family coverage under an HDHP at any time during 2015, see the instructions for the amount to enter . . .	6	
7	If you were age 55 or older at the end of 2015, married, and you or your spouse had family coverage under an HDHP at any time during 2015, enter your additional contribution amount (see instructions) . . .	7	
8	Add lines 6 and 7 . . .	8	
9	Employer contributions made to your HSAs for 2015 . . . 9		
10	Qualified HSA funding distributions . . . 10		
11	Add lines 9 and 10 . . .	11	
12	Subtract line 11 from line 8. If zero or less, enter -0- . . .	12	
13	**HSA deduction.** Enter the **smaller** of line 2 or line 12 here and on Form 1040, line 25, or Form 1040NR, line 25 . . .	13	
	Caution: *If line 2 is more than line 13, you may have to pay an additional tax (see instructions).*		

Part II **HSA Distributions.** If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part II for each spouse.

14a	Total distributions you received in 2015 from all HSAs (see instructions) . . .	14a	
b	Distributions included on line 14a that you rolled over to another HSA. Also include any excess contributions (and the earnings on those excess contributions) included on line 14a that were withdrawn by the due date of your return (see instructions) . . .	14b	
c	Subtract line 14b from line 14a . . .	14c	
15	Qualified medical expenses paid using HSA distributions (see instructions) . . .	15	
16	**Taxable HSA distributions.** Subtract line 15 from line 14c. If zero or less, enter -0-. Also, include this amount in the total on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to line 21, enter "HSA" and the amount . . .	16	
17a	If any of the distributions included on line 16 meet any of the **Exceptions to the Additional 20% Tax** (see instructions), check here . . . ► ☐		
b	**Additional 20% tax** (see instructions). Enter 20% (.20) of the distributions included on line 16 that are subject to the additional 20% tax. Also include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter "HSA" and the amount on the line next to the box . . .	17b	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37621P Form **8889** (2015)

Form 8889 (2015) Page **2**

Part III **Income and Additional Tax for Failure To Maintain HDHP Coverage.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part III for each spouse.

18	Last-month rule . . .	18	
19	Qualified HSA funding distribution . . .	19	
20	**Total income.** Add lines 18 and 19. Include this amount on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to Form 1040, line 21, or Form 1040NR, line 21, enter "HSA" and the amount . . .	20	
21	**Additional tax.** Multiply line 20 by 10% (.10). Include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter "HDHP" and the amount on the line next to the box . . .	21	

Form **8889** (2015)

Draft as of 7-23-15

Form **8606** | **Nondeductible IRAs** | OMB No. 1545-0074

Department of the Treasury
Internal Revenue Service (99)

▶ Information about Form 8606 and its separate instructions is at *www.irs.gov/form8606*.
▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

2015 Attachment Sequence No. **48**

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions. | **Your social security number**

Fill in Your Address Only If You Are Filing This Form by Itself and Not With Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home) | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below.

Foreign country name | Foreign province/state/county | Foreign postal code

Part I **Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs**

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2015.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2015 **and** you made nondeductible contributions to a traditional IRA in 2015 or an earlier year. For this purpose, a distribution does not include a rollover, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2015 (excluding any portion you recharacterized) **and** you made nondeductible contributions to a traditional IRA in 2015 or an earlier year.

1 Enter your nondeductible contributions to traditional IRAs for 2015, including those made for 2015 from January 1, 2016, through April 18, 2016 (see instructions) . . . **1**

2 Enter your total basis in traditional IRAs (see instructions) . . . **2**

3 Add lines 1 and 2 . . . **3**

In 2015, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion?

No ▶ Enter the amount from line 3 on line 14. Do not complete the rest of Part I.

Yes ▶ Go to line 4.

4 Enter those contributions included on line 1 that were made from January 1, 2016, through April 18, 2016 **4**

5 Subtract line 4 from line 3 . . . **5**

6 Enter the value of **all** your traditional, SEP, and SIMPLE IRAs as of December 31, 2015, plus any outstanding rollovers (see instructions) . . **6**

7 Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2015. **Do not** include rollovers, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions) . **7**

8 Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2015. **Do not** include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16 . **8**

9 Add lines 6, 7, and 8 . . . **9**

10 Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000" . . . **10** × .

11 Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17 . . . **11**

12 Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA . . . **12**

13 Add lines 11 and 12. This is the nontaxable portion of all your distributions . . . **13**

14 Subtract line 13 from line 3. This is **your total basis in traditional IRAs for 2015 and earlier years** **14**

15 **Taxable amount.** Subtract line 12 from line 7. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b . . . **15**

Note. You may be subject to an additional 10% tax on the amount on line 15 if you were under age 59½ at the time of the distribution (see instructions).

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 63966F Form **8606** (2015)

Form 8606 (2015) Page **2**

Part II **2015 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs**

Complete this part if you converted part or all of your traditional, SEP, and SIMPLE IRAs to a Roth IRA in 2015 (excluding any portion you recharacterized).

16 If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2015. **Do not** include amounts you later recharacterized back to traditional, SEP, or SIMPLE IRAs in 2015 or 2016 (see instructions) **16**

17 If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions) . . . **17**

18 **Taxable amount.** Subtract line 17 from line 16. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b . . . **18**

Part III **Distributions From Roth IRAs**

Complete this part only if you took a distribution from a Roth IRA in 2015. For this purpose, a distribution does not include a rollover, one-time distribution to fund an HSA, recharacterization, or return of certain contributions (see instructions).

19 Enter your total nonqualified distributions from Roth IRAs in 2015, including any qualified first-time homebuyer distributions (see instructions) . . . **19**

20 Qualified first-time homebuyer expenses (see instructions). **Do not** enter more than $10,000 . . **20**

21 Subtract line 20 from line 19. If zero or less, enter -0- . . . **21**

22 Enter your basis in Roth IRA contributions (see instructions). If line 21 is zero, **stop here** . . . **22**

23 Subtract line 22 from line 21. If zero or less, enter -0- and skip lines 24 and 25. If more than zero, you may be subject to an additional tax (see instructions) . . . **23**

24 Enter your basis in conversions from traditional, SEP, and SIMPLE IRAs and rollovers from qualified retirement plans to a Roth IRA (see instructions) . . . **24**

25 **Taxable amount.** Subtract line 24 from line 23. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b . . . **25**

Sign Here Only If You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Form **8606** (2015)

A Nonspouse Beneficiary's Ability to Move Inherited 401(k) Funds to an Inherited IRA

1. 401(k)	➠	direct rollover	➠	Inherited Traditional IRA	➠	Permitted
2. 401(k)	➠	beneficiary	➠	Inherited Traditional IRA	➠	Not Permitted
3. 401(k)	➠	direct rollover	➠	Inherited Roth IRA	➠	Permitted
4. 401(k)	➠	beneficiary	➠	Inherited Roth IRA	➠	Not Permitted
5. Designated Roth 401(k)	➠	direct rollover	➠	Inherited Roth IRA	➠	Permitted
6. Designated Roth 401(k)	➠	beneficiary	➠	Inherited Roth IRA	➠	Not Permitted

More and more 401(k) participants are dying and in many cases their beneficiaries are nonspouse beneficiaries.

An IRA custodian/trustee needs to be ready to service such clients. You want to communicate to clients and prospective clients that your institution is ready and willing to assist them in moving their inherited 401(k) funds into an inherited traditional IRA and/or an inherited Roth IRA.

This movement must be done as a direct rollover. It is not a non-reportable transfer and it cannot be done as a distribution followed by making a rollover contribution.

The law does not authorize a nonspouse 401(k) beneficiary to take (or receive) a distribution and then make a rollover contribution. This law is similar to the law applying to IRAs; a nonspouse IRA beneficiary is not authorized to take (or receive) a distribution from an inherited IRA and then make rollover contribution into an inherited IRA.

However, the law does authorize a nonspouse beneficiary of a 401(k) participant to directly rollover his or her inherited share into an inherited IRA. This is similar to the tax rules allowing an inherited IRA to be transferred to another inherited IRA.

A direct rollover occurs when funds in a 401(k) are transmitted to an IRA custodian without an actual distribution occurring. Normally a check will be issued by the 401(k) plan and issued to the IRA custodian on behalf of the individual for whom an inherited IRA has been or will be established. This is not a nonreportable transfer as the funds are moving between different types of plans.

The 401(k) plan (or other employer sponsored plan) has the legal duty to furnish the inheriting beneficiary a distribution form explaining to him or her the laws and plan provisions. In some cases the form may not discuss such rules and provisions as thoroughly as desired or as the law requires. In such case, the beneficiary should ask for additional assistance from the plan administrator or trustee.

As with any inherited IRA, the non-spouse beneficiary will have to comply with the required distribution rules for IRA beneficiaries. Unless the 5 year rule would apply or be elected, the nonspouse beneficiary is required to take distributions using the life distribution rule commencing the year following the year the 401(k) participant died.