

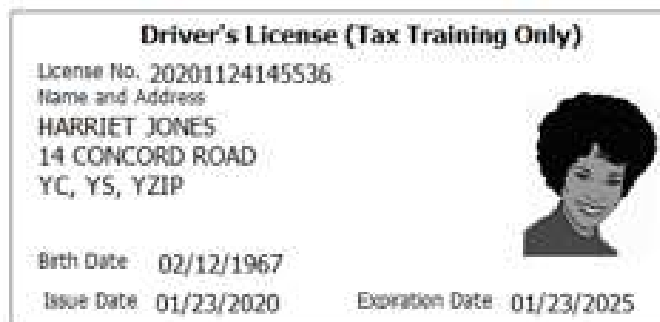
Exploring Form 1099-R



AARP Foundation®
For a future without senior poverty.

■ Exploring Form 1099-R

- Log onto your TaxSlayer Account
- Begin a new return for Harriet Jones



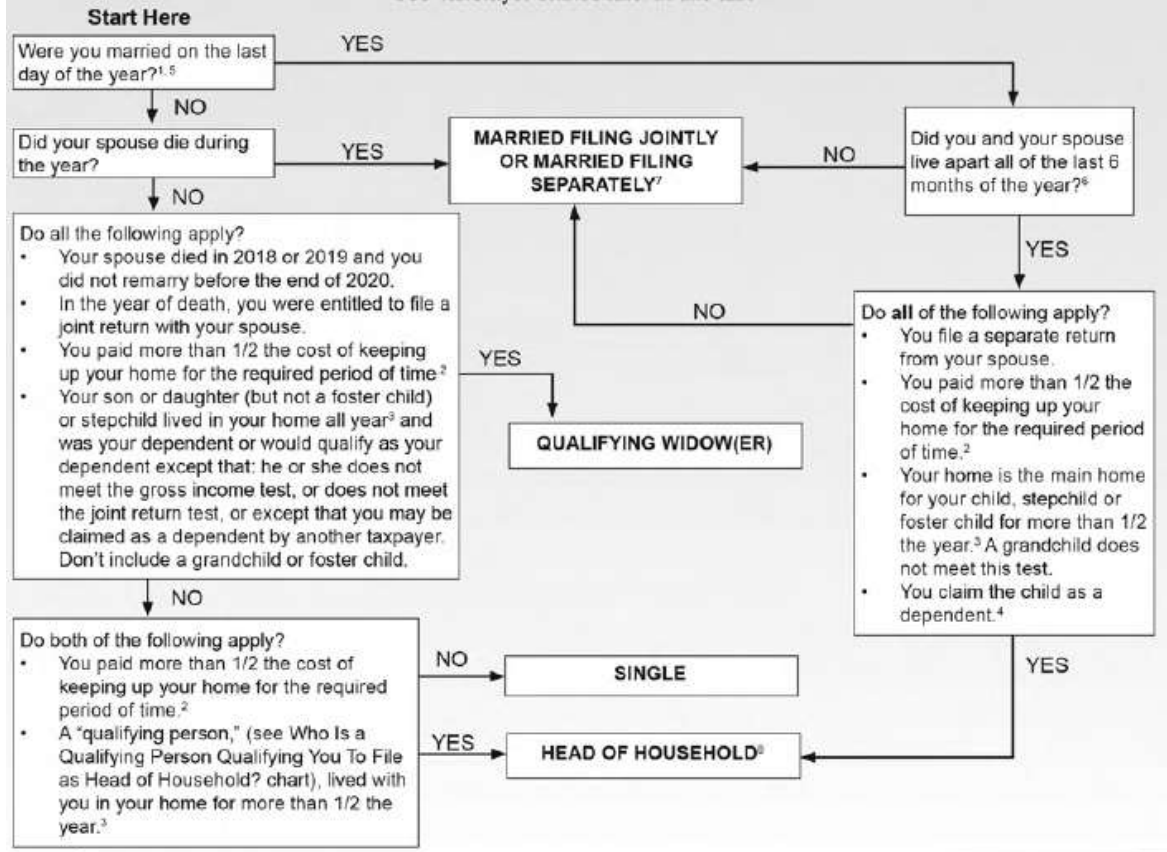
- Lawyer
- Married but separated and not living with spouse since 2016
- Phone: 904-565-1256
- Received \$2,800 EIP3
- One Dependent
- Daughter Candace Jones
- SSN: 564-00-0011
- Date of Birth 03/13/2000
- Single, totally and permanently disabled
- Lived with Harriet 12 months

■ Filing Status

- What is Harriet's best Filing Status? Why?
- Review Pub 4012 – Which Tab?
 - Tab B-8
- Let's look at the Filing Status Decision Tree

Determination of Filing Status – Decision Tree

See TaxSlayer entries later in this tab.



■ Make a Table

On a sheet of paper create the following table:

Block 7	AGI	Refund

<input type="checkbox"/> CORRECTED (if checked)						
PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. TOLL FREE BANK 4009 COPPER ST YC, YS, YZIP		Payer's RTN (optional)		OMB No. 1545-0112		
		1 Interest income \$2,600.00		20XX Form 1099-INT		Interest Income
PAYER'S TIN 56-5XXXXXX		2 Early withdrawal penalty				
		RECIPIENT'S TIN 564-00-0001		3 Interest on US Savings Bonds and Treas. obligations		
RECIPIENT'S name Street address (including apt.no.) City or town, state or province, country, ZIP or foreign postal code HARRIET JONES 14 CONCORD ROAD YC, YS, YZIP		4 Federal income tax withheld		5 Investment expenses		
		6 Foreign Tax Paid		7 Foreign Country or US possession		This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported
8 Tax exempt interest		9 Specified private activity bond interest				
10 Market Discount		11 Bond Premium				
FATCA filing requirement <input type="checkbox"/>		12 Bond premium on Treasury obligations		13 Bond Premium on tax-exempt bond		
Account number (see instructions)		14 Tax-exempt and tax credit bond CUSIP no.		15 State	16 State Identification no.	17 State tax withheld
				-----	-----	-----
Form 1099-INT						

<input type="checkbox"/> CORRECTED (if checked)				20XX Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. DEWEY, CHEETUM & HOWE 19807 ROCKY ROAD YC, YS, YZIP			1 Gross distribution \$31,000.00			Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS
			2a Taxable amount \$31,000.00			
			2b Taxable amount not determined. <input type="checkbox"/>	Total Distribution <input type="checkbox"/>		
3 Capital gain (included in box 2a).	4 Federal income tax withheld \$2,600.00					
PAYER'S TIN 56-4XXXXXX	RECIPIENT'S TIN 564-00-0001	5 Employee contributions/ Designated Roth contributions or	6 Net unrealized appreciation in employer's securities			
RECIPIENT'S name Street address (including apt.no.) City or town, state or province, country, ZIP or foreign postal HARRIET JONES 14 CONCORD ROAD YC, YS, YZIP			7 Distribution Code(s) 2	IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other %	
			9a Your percentage of total distribution %	9b Total Employee Contributions		
			10 Amount allocable to IRR within 5 years	11 1st year of desig. Roth contrib.	FATCA filing requirement <input type="checkbox"/>	12 State tax withheld
Account number (see instructions)		Date of payment	15 Local tax withheld	16 Name of locality	17 Local distribution	
Form 1099-R						

■ Block 7 Code 2

- What does Code 2 mean?
- Where can we find the Codes?
 - Back of the form (very small print)
 - Pub 4012 (Check the Table of Contents) Go to Tab D-40

Review
Pub 4012
TAB D-40

Form 1099-R Box 7 Distribution Codes

Box 7 Distribution Codes	Explanations
1 — Early distribution, no known exception	<ul style="list-style-type: none"> If this amount was rolled over within 60 days of the withdrawal and—if the distribution was from an IRA—no prior rollover was made in the same 12-month period. Check the box under Rollover or Disability on Form 1099-R, and enter the amount rolled over. Trustee to trustee transfer isn't considered a prior rollover. If more than one rollover from an IRA in the 12-month period, return is Out of Scope. If this wasn't rolled over, a 10% additional tax will be applied unless the taxpayer qualifies for an exception. See Tab H, Other Taxes, Payments and Refundable Credits, for a list of exceptions. If the taxpayer qualifies for an exception, go to T90 Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts, enter the amount that qualifies for an exception and select reason for exception from the dropdown list. See page H-4, 1
2 — Early distribution, exception applies	Code 2 applies if the taxpayer is under 59 ½ but the payer knows that an exception to the additional tax applies. If the IRA/SEP/SIMPLE box 18/NT checked, no further action needed. If the IRA/SEP/SIMPLE box 18 checked, additional reporting may be required on Form 8606, and the return is Out of Scope. Only Part I and Part II are in scope for Tax-Aide
3 — Disability	Code 3 is for a disability pension. <ul style="list-style-type: none"> If the taxpayer is under the minimum retirement age for the company he retired from, then check the box under Rollover or Disability that says, "Check here to report as wages on the Form 1040." This will reclassify the disability income as wages. It will also include the amount in earned income for calculation of the earned income credit, the dependent care credit and the additional child tax credit. If the taxpayer has reached the minimum retirement age, no further action is needed.
4 — Death	Code 4 is for a survivor's benefit or an inherited IRA. If it's a pension, the original retiree has died, and the survivor is receiving his or her share of the pension. If the original pensioner was using the Simplified Method, continue to use it for the survivor. If it's an inherited IRA and the original owner had a basis, the survivor takes over that basis. If cannot determine IRA Basis, use zero. If using General Rule, the return is Out of Scope
6 — Prohibited transaction	This code is Out of Scope.
8 — Tax-free Section 1035 exchange	This code is Out of Scope. Amount is not taxable but must be reported. Enter -0- in Box 2a. In scope for Tax-Aide only
7 — Normal distribution <i>NOTE for Code 7: If the recipient is a retired public safety officer (PSO), health and long term care insurance premiums (up to \$3,000) withheld from his pension can be subtracted from Box 1 and result entered in Box 2a. QCD caution: QCDs made in 2020 and later years must be offset by IRA deductions for 2020 and later years on a cumulative basis. Any amount not permitted as a QCD is an allowable charitable contribution. See example on p. E-11 .</i>	Code 7 is for normal distributions. It may occur in several different situations: <ul style="list-style-type: none"> If the amounts in Box 1 and 2a are the same, and Box 2b isn't checked, pension is fully taxable. If the taxpayer makes a rollover from one IRA to another and holds the money less than 60 days, enter the amount rolled over into the Rollover or Disability field. If the Box 2b is checked and there is an amount in Box 9b, complete the Simplified Method. Be sure to use the taxpayer's age at the time of retirement—not current age. If there is an amount in Box 2 that is different than Box 1, no further action is needed. If there is no amount (or zero) in Box 2a, check to see if there is an amount in Box 5. If this is the same amount as Box 1, the distribution is the taxpayer's own money coming back. None of the distribution will be taxed. If any portion of this distribution was sent directly from the trustee to a charity, and the taxpayer is over 70 ½ years old and if any <i>quid pro quo</i> received (such as a state tax credit) was not more than 15% of the distribution, reduce the taxable amount in box 2a by the whole amount of such distribution. If the <i>quid pro quo</i> is more than 15% of a distribution, none of that distribution qualifies for QCD treatment. See page E-10. Enter the net taxable amount in box 2a (which may be zero). Select Continue and at the IRA/Pensions Distributions page, select Nontaxable Distributions and check the box to mark that there is a Qualified Charitable Distribution (QCD). No charitable deduction may be taken for the donation. If taxpayers receive or expect to receive a state or local tax credit for their QCD, the amount treated as a QCD may be reduced by the amount of the state or local tax credit. See Publication 525, Charitable Contributions, for details. If the IRA/SEP/SIMPLE box 18 checked, additional reporting may be required on Form 8606. In that case, the return is Out of Scope. In Scope for Tax-Aide
8 — Excess contributions	This code is Out of Scope.
8 — Cost of current life insurance	This code is Out of Scope.

■ Block 7 Code 2

What is Harriet's AGI?
What is Harriet's refund?
Fill in your table

Block 7	AGI	Refund
Code 2	\$33,600	\$1,605

■ Commercial Annuity

- If Harriet had bought an annuity, what would look different?
 - Her own money coming back would be in Block 5 and would be the difference between Block 1 and Block 2.

<input type="checkbox"/> CORRECTED (if checked)		20XX Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. DEWEY, CHEETUM & HOWE 19807 ROCKY ROAD YC, YS, YZIP		1 Gross distribution \$31,000.00			Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS
		2a Taxable amount \$27,900.00			
2b Taxable amount not determined. <input type="checkbox"/>	Total Distribution <input type="checkbox"/>				
3 Capital gain (included in box 2a).	4 Federal income tax withheld \$2,600.00				
PAYER'S TIN 56-4XXXXXX	RECIPIENT'S TIN 564-00-0001	5 Employee contributions/ Designated Roth contributions or \$3,100.00	6 Net unrealized appreciation in employer's securities		
7 Distribution Code(s) 7D	IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other %			
9a Your percentage of total distribution %	9b Total Employee Contributions				
12 State tax withheld	13 State/Payer's state no.	14 State distribution			
Account number (see instructions)	15 Local tax withheld	16 Name of locality	17 Local distribution		
Form 1099-R					

In some situations, the taxable amount can even be zero.

Do NOT enter this form today.

■ Block 7 Code 3

- What if Block 7 was Code 3?
- What probing questions would you ask? Why?
- Harriet tells you the minimum retirement age is 60
- Edit the 1099-R to make these changes

■ Block 7 Code 3

What is Harriet's AGI?
What is Harriet's refund?

Block 7	AGI	Refund
Code 2	\$33,600	\$1,605
Code 3	\$33,600	\$2,969

What changed on her Form 1040?

■ Let's Discuss

- Harriet says she plans to redeem several bonds next year with interest of about \$11,000 and wants to know how that will affect her return?
 - Her AGI would increase and **she would lose EIC**
 - Why?
 - Review Pub 4012 Tab I-2

■ Let's Check It Out

- Edit the 1099-INT by increasing the interest to \$12,000
- Note the change to EIC
- Change it back to \$2600

■ Let's Discuss Something Else

- What if her 1099-R (code 3) had an entry in block 9b how would that affect her return?
 - No effect – Why?
 - Taxpayers do not begin to recover their contributions until they reach the minimum retirement age and the disability pension becomes a normal pension
 - See Pub 4012 D-38

■ Block 7 Code 1

- What if Block 7 was Code 1?
- What probing questions would you ask? Why?
 - What are some exceptions to the 10% penalty?
 - Let's review Pub 4012 Tab H

■ Block 7 Code 1

- Harriett tells you she needed money to pay bills and normal living expenses
- Edit the 1099-R to make these changes
 - Change Code 3 to Code 1
 - Remove the check mark for moving income to wages

■ Block 7 Code 1

What is Harriet's AGI? What is Harriet's refund?

Block 7	AGI	Refund
Code 2	\$33,600	\$1,605
Code 3	\$33,600	\$2,969
Code 1	\$33,600	Payment Due \$1,495

What changed on her Form 1040? Why?

■ Code 1 Exceptions

- You ask Harriet what bills she used the money for?
- She indicates that one of the bills was for \$10,500 for hospital and ambulance costs associated with an accident in March 2021 that were not covered by her insurance
- How could this affect her return?

■ Form 5329

- What exception can she use?
- How much of the distribution is subject to the exception?
 - $\$33,600 \text{ (AGI)} \times .075\% = \$2,520$
 - $\$10,500 - \$2,520 = \underline{\$7,980}$
- Make the entry for Form 5329

Code 1 with Exception

What is Harriet's AGI?
What is Harriet's refund?

Block 7	AGI	Refund
Code 2	\$33,600	\$1,605
Code 3	\$33,600	\$2,969
Code 1	\$33,600	Payment Due \$1,495
Code 1 Exception	\$33,600	Payment Due \$697

What changed on her Form 1040?

■ Block 7 Code 1 Self-Rollover

- What if Harriet said she withdrew the money but changed her mind and put it back into an IRA?
- What probing questions would you ask? Why?
 - Need to know when the funds were redeposited and if any other self-rollovers were conducted and when.
 - Taxpayers may do a “self-rollover” if the distribution is put back into to a qualified plan within 60 days but only once per year.

■ Block 7 Code 1 Self-Rollover

- Your interview indicates that Harriet met all the self-rollover rules
- Edit the 1099-R to make these changes

■ Block 7 Code 1 Self-Rollover

What is Harriet's AGI?
What is Harriet's refund?

Block 7	AGI	Refund
Code 2	\$33,600	\$1,605
Code 3	\$33,600	\$2,969
Code 1	\$33,600	Payment Due \$1,495
Code 1 Exception	\$33,600	Payment Due \$697
Code 1 Rollover	\$2,600	\$2,600

What changed on her Form 1040?

Two Odd-Looking 1099-Rs

Railroad Retirement Board

- Blue Tier1 = Social Security
- Green Tier2 Pension, treat like a Form 1099-R
 - Usually requires the Simplified Method

PAYER'S NAME, STREET ADDRESS, CITY, STATE AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N. RUSH ST. CHICAGO, IL 60611-2092		20XX		PAYMENTS BY THE RAILROAD RETIREMENT BOARD	
PAYER'S FEDERAL IDENTIFYING NO.	36-3314600	3. Gross Social Security Equivalent Benefit Portion of Tier 1 paid in 20XX		COPY C - FOR RECIPIENTS RECORDS. THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.	
1. Claim Number and Payee Code		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 20XX			
2. Recipient's Identification Number		5. Net Social Security Equivalent Benefit Portion of Tier 1 paid in 20XX			
Recipient's Name, Address, City, State and ZIP Code		6. Workers Compensation Offset in 20XX			
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 20XX-1			
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 20XX-2		10. Federal Income Tax Withheld	11. Medicare Premium 1,735.20

Form **RRB-1099**

PAYER'S NAME, STREET ADDRESS, CITY, STATE AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N. RUSH ST. CHICAGO, IL 60611-2092		20XX		ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD		
PAYER'S FEDERAL IDENTIFYING NO.	36-3314600	3. Employee Contributions		COPY B - REPORT THIS INCOME ON YOUR FEDERAL TAX RETURN. IF THIS FORM SHOWS FEDERAL INCOME TAX WITHHELD IN BOX 9 ATTACH THIS COPY TO YOUR RETURN. THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.		
1. Claim Number and Payee Code		4. Contributory Amount Paid				
2. Recipient's Identification Number		5. Vested Dual Benefit				
Recipient's Name, Address, City, State and ZIP Code		6. Supplemental Annuity				
		7. Total Gross Paid				
		8. Repayments		9. Federal Income Tax Withheld	11. Country	12. Medicare Premium Total

Form **RRB-1099-R**

Two Odd-Looking 1099-Rs

Office of Personnel Management (OPM)

Block 5 usually is health insurance premium

Enter on Sch A or as PSO deduction if appropriate

PAID BY OFFICE OF PERSONNEL MANAGEMENT RETIREMENT SERVICES PROGRAM P. O. BOX 45 BOYERS, PA 16017-0045			Copy B - File with Federal tax return	20XX	OMB No. 1545-0119 Form: 1099R Distribution From Pensions, Annuities Retirement or Profit- Sharing Plans, IRA's, Insurance Contracts, etc.
PAYER's Federal Identification		Recipient's ID No. (Annuitant)	Account number (Retirement Claim)		1. Gross distribution
5. Employee Contributions/ Designed ROTH Contributions or Insurance Premiums		PAID TO →		2a. Taxable amount	
7. Distribution Code(s) 7-NONDISABILITY				4. Federal Income Tax Withheld	
9b. Total Employee Contributions				State 1	10. State Income Tax Withheld
				State 2	11. State Income Tax Withheld

Form CSA 1099R (Rev 1/2009)
This information is being furnished to the Department of Treasury - Internal Revenue Service

Usually has an entry in block 2a even with an entry in block 9b

■ One Last Thing - Scope

- Which of the following Block 7 Codes are out of scope?

1, 4, 6, 8, A, 7D, G, K, Q, U

■ One Last Thing - Scope

- Which of the following Block 7 Codes are out of scope?

1, 4, 6, 8, A, 7D ??, G, K, Q, U

- Review Pub 4012 Tab D
 - Where can you go to be sure?

Scope Manual

F(orm) S(chedule) #	L(ine) B(ox) #	IN SCOPE Yes No	<p>Column 3: Yes = The form, line or box is in scope for sites having at least two volunteers certified at the appropriate level. No = The form, line or box is out of scope.</p> <p>Column 4: = Limitations or expansion of each scope topic including certification levels which may be in/out of scope.</p>
F 1099-R F CSA 1099-R F CSF 1099-R		Yes	<p>✳ Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</p> <p>Not in scope for:</p> <ul style="list-style-type: none"> • IRA rollovers (except Roth conversions) that do not meet the tax free requirements • Taxpayers who used the General Rule to figure the taxable portion of pensions and/or annuities in past years—See Box 7 Code D below • Box 7 codes 5, 8, 9, A, E, K, N, P & R • Box 7 codes J or T if either the original Roth contribution or the last conversion was done within the last five years or if first-time homeowner exception applies • Box 7 code D—If Box 2a is blank and Box 2b is checked (taxable amount not determined) and the taxpayer is unable to obtain the taxable amount from the issuer, the return is out of scope. If 2b is not checked, and the taxpayer is unable to obtain the taxable amount from the issuer, the return is out of scope.



■ Questions?

