

2007 1099-R Instructions for Recipient

Generally, distributions from pensions, annuities, profit-sharing and retirement plans (including section 457 state and local government plans), IRAs, insurance contracts, etc., are reported to recipients on Form 1099-R.

Qualified plans. If your annuity starting date is after 1997, you must use the simplified method to figure your taxable amount if your payer did not show the taxable amount in box 2a. See the Instructions for Form 1040 or 1040A.

IRAs. For distributions from a traditional individual retirement arrangement (IRA), simplified employee pension (SEP), or savings incentive match plan for employees (SIMPLE), generally the payer is not required to compute the taxable amount. Therefore, the amounts in boxes 1 and 2a will be the same most of the time. See the Form 1040 or 1040A instructions to determine the taxable amount. If you are at least age 70½, you must take minimum distributions from your IRA (other than a Roth IRA). If you do not, you may be subject to a 50% excise tax on the amount that should have been distributed. See Pub. 590 for more information on IRAs.

Roth IRAs. For distributions from a Roth IRA, generally the payer is not required to compute the taxable amount. You must compute any taxable amount on Form 8606. An amount shown in box 2a may be taxable earnings on an excess contribution.

Loans treated as distributions. If you borrow money from a qualified plan, 403(b) plan, or government plan, you may have to treat the loan as a distribution and include all or part of the amount borrowed in your income. There are exceptions to this rule. If your loan is taxable, Code L will be shown in box 7. See Pub. 575.

Account number. May show an account or other unique number the payer assigned to distinguish your account.

Box 1. Shows the total amount you received this year. The amount may have been a direct rollover, a transfer or conversion to a Roth IRA, a recharacterized IRA contribution; or you may have received it as periodic payments, as nonperiodic payments, or as a total distribution. Report the amount on Form 1040 or 1040A on the line for "IRA distributions" or "Pensions and annuities" (or the line for "Taxable amount"), and on Form 8606, as applicable. However, if this is a lump-sum distribution, see Form 4972. If you have not reached minimum retirement age, report your disability payments on the line for "Wages, salaries, tips, etc." on your tax return. Also report on that line corrective distributions of excess deferrals, excess contributions, or excess aggregate contributions except if you are self-employed.

If a life insurance, annuity, or endowment contract was transferred tax free to another trustee or contract issuer, an amount will be shown in this box and Code 6 will be shown in box 7. You need not report this on your tax return.

Box 2a. This part of the distribution is generally taxable. If there is no entry in this box, the payer may not have all the facts needed to figure the taxable amount. In that case, the first box in box 2b should be checked. You may want to get one of the free publications from the IRS to help you figure the taxable amount. See *Additional information* on the back of Copy 2. For an IRA distribution, see *IRAs* and *Roth IRAs* above. For a direct rollover, zero should be shown, and you must enter zero (-0-) on the "Taxable amount" line of your tax return.

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Instructions for Recipient (*Continued*)

If this is a total distribution from a qualified plan (other than an IRA or section 403(b) plan) and you were born before January 2, 1936 (or you are the beneficiary of someone born before January 2, 1936), you may be eligible for the 10-year tax option. See the Form 4972 instructions for more information.

Box 2b. If the first box is checked, the payer was unable to determine the taxable amount, and box 2a should be blank. However, if this is a traditional IRA, SEP, or SIMPLE distribution, then see IRAs earlier. If the second box is checked, the distribution was a total distribution that closed out your account.

Box 3. If you received a lump-sum distribution from a qualified plan and were born before January 2, 1936 (or you are the beneficiary of someone born before January 2, 1936), you may be able to elect to treat this amount as a capital gain on Form 4972 (not on Schedule D (Form 1040)). See the Form 4972 instructions. For a charitable gift annuity, report as a long-term capital gain on Schedule D.

Box 4. Shows federal income tax withheld. Include this amount on your income tax return as tax withheld, and if box 4 shows an amount (other than zero), attach Copy B to your return. Generally, if you will receive payments next year that are not eligible rollover distributions, you can change your withholding or elect not to have income tax withheld by giving the payer Form W-4P.

Box 5. Generally, this shows the employee's investment in the contract (after-tax contributions), if any, recovered tax free this year; the portion that is your basis in a designated Roth account; the part of premiums paid on commercial annuities or insurance contracts recovered tax free; or the nontaxable part of a charitable gift annuity. This box does not show any IRA contributions. If the amount shown is your basis in a designated Roth account; the year you first made contributions to that account may be entered in the box next to box 10.

Box 6. If you received a lump-sum distribution from a qualified plan that includes securities of the employer's company, the net unrealized appreciation (NUA) (any increase in value of such securities while in the trust) is taxed only when you sell the securities unless you choose to include it in your gross income this year. See Pub. 575 and the Form 4972 instructions. If you did not receive a lump-sum distribution, the amount shown is the NUA attributable to employee contributions, which is not taxed until you sell the securities.

Box 7. The following codes identify the distribution you received. For more information on these distributions, see the instructions for your tax return. Also, see Instructions for Forms 5329 and 8606.

- 1—Early distribution, no known exception (in most cases, under age 59 ½).
- 2—Early distribution, exception applies (under age 59 ½).
- 3—Disability.
- 4—Death.
- 5—Prohibited transaction.
- 6—Section 1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts).
- 7—Normal distribution.
- 8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2007.
- 9—Cost of current life insurance protection.
- A—May be eligible for 10-year tax option (see Form 4972).
- B—Designated Roth account distribution.
- D—Excess contributions plus earnings/excess deferrals taxable in 2005.

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Instructions for Recipient (Continued)

- E**—Excess annual additions under section 415 and certain excess amounts under section 403(b) plans.
- F**—Charitable gift annuity.
- G**—Direct rollover to a qualified plan, a 403(b) plan, a governmental 457(b) plan, or an IRA.
- J**—Early distribution from a Roth IRA, no known exception (in most cases, under age 59 ½).
- L**—Loans treated as distributions.
- N**—Recharacterized IRA contribution made for 2007 and recharacterized in 2007.
- P**—Excess contributions plus earnings/excess deferrals taxable in 2006.
- Q**—Qualified distribution from a Roth IRA.
- R**—Recharacterized IRA contribution made in 2006 and recharacterized in 2007.
- S**—Early distribution from a SIMPLE IRA in first 2 years, no known exception (under age 59 ½).
- T**—Roth IRA distribution, exception applies.

If the IRA/SEP/SIMPLE box is checked, you have received a traditional IRA, SEP, or SIMPLE distribution.

Box 8. If you received an annuity contract as part of a distribution, the value of the contract is shown. It is not taxable when you receive it and should not be included in boxes 1 and 2a. When you receive periodic payments from the annuity contract, they are taxable at that time. If the distribution is made to more than one person, the percentage of the annuity contract distributed to you is also shown. You will need this information if you use the 10-year tax option (Form 4972).

Box 9a. If a total distribution was made to more than one person, the percentage you received is shown.

Box 9b. For a life annuity from a qualified plan or from a 403(b) plan (with after-tax contributions), an amount may be shown for the employee's total investment in the contract. It is used to compute the taxable part of the distribution. See Pub. 575.

Boxes 10–15. If state or local income tax was withheld from the distribution, boxes 12 and 15 may show the part of the distribution subject to state and/or local tax.

Additional information. You may want to see:

- W-4P**, Withholding Certificate for Pension or Annuity Payments
- Form 4972**, Tax on Lump-Sum Distributions
- Form 5329**, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts.
- Form 8606**, Nondeductible IRAs
- Pub. 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
- Pub. 571**, Tax-Sheltered Annuity Plans (403(b) Plans)
- Pub. 575**, Pension and Annuity Income
- Pub. 590**, Individual Retirement Arrangements (IRAs)
- Pub. 721**, Tax Guide to U.S. Civil Service Retirement Benefits
- Pub. 939**, General Rule for Pensions and Annuities
- Pub. 969**, Health Savings Accounts and Other Tax-Favored Health Plans