Reconciling Form 1040 and Form 1099-R Data

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January 21, 2020

Abstract

This paper describes how we combine and reconcile data on retirement distributions reported by taxpayers on tax returns with data reported by the payers of those distributions on information returns. With the combined data, we are able to allocate distributions reported on Form 1040 by the detailed distribution codes reported on Form 1099-R. This allows us to, for example: distinguish nontaxable rollovers from nontaxable Roth distributions or nontaxable basis; and distinguish taxable early distributions from taxable normal distributions, taxable Roth conversions, or taxable distributions related to death or disability.

Matching distributions reported on Form 1099-R to those reported on Form 1040 is not straightforward. Not all Form 1099-R distributions are reported as retirement distributions on Form 1040. Payers issuing Form 1099-R may not be able to calculate the portion of a distribution that is taxable, or the taxable amounts they calculate may need to be adjusted by the taxpayer. When taxable amounts are either not reported or require adjustment, we can often calculate taxable distributions using additional forms taxpayers file with their returns, but we cannot do so in all cases.

About 90 percent of retirement distributions were reported on tax returns where either the taxable amounts reported on Form 1040 and Form 1099-R matched or the gross amounts matched. Of the $1.2 trillion in gross distributions reported on Form 1040 in 2010, about 30 percent represented transfers—rollovers, section 1035 exchanges, or Roth conversions—from one retirement account to another. Of the non-transfer taxable distributions (i.e., taxable distributions excluding Roth conversions), 74 percent were normal distributions and 8 percent were penalized distributions.

* This research was conducted as part of the Statistics of Income Joint Research Program. Views presented are those of the authors and do not necessarily represent the views of the Internal Revenue Service or the views of the Investment Company Institute or its members.

1. Introduction

In this paper, we analyze all taxpayers with evidence of retirement distributions in 2010. By *taxpayers with evidence of retirement distributions* we mean any taxpayer who in tax year 2010 either:

(1) reported distributions on line 15 (IRA distributions) or line 16 (pensions and annuities) of Form 1040; or

(2) received a Form 1099-R (Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.)

This paper describes the data that we use; explains how we reconciled the two data sources when the information did not match; reports the incidence of form types; reports the prevalence of matching between the two forms, in terms of both the number of individuals and the aggregate dollar amounts; and reports the incidence and amount of distributions by detailed code.

2. Description of the Data

The data we use combine two components: (1) tax return data and (2) information return data.

The tax return data are the 2010 Individual and Sole Proprietor (INSOLE) file. This file is used by the IRS Statistics of Income (SOI) Division to produce its annual *Individual Income Tax Returns Complete Report* publication. It is also used by the Joint Committee on Taxation (JCT) and the Department of Treasury Office of Tax Analysis (OTA) as the basis for their microsimulation models.

The 2010 INSOLE is a probability sample from the 143 million individual income tax returns (Forms 1040, 1040A, and 1040EZ, hereafter simply referred to as *Form 1040*) filed by US citizens and residents in 2011.[1] The sample consists of 308,946 tax returns and includes information reported on Form 1040, as well as information from associated Schedules (such as Schedule SE,

[1] For a more complete description of the sample, see Section 2 of Internal Revenue Service, Statistics of Income Division (2012).

which is used to calculate self-employment tax) and Forms (such as Form 6251, which is used to calculate the alternative minimum tax).

In addition to the 2010 INSOLE, we incorporate data from various information returns, which allow us to allocate some income reported on joint tax returns filed by married couples to individual taxpayers, and which may provide information not reported on Form 1040. The information returns used in this study include Form 1099-R and Form 5498 (IRA Contribution Information).[2]

2.1 Retirement Income Data

The focus of this paper is on distributions from pensions, annuities, and IRAs, which are reported to the IRS by taxpayers on Form 1040, and reported to the IRS and taxpayers by entities issuing the distribution payments on Form 1099-R.[3]

On Form 1040,[4] taxpayers report:

- IRA distributions on line 15a (gross) and line 15b (taxable)
- Distributions from pensions and annuities on line 16a (gross) and line 16b (taxable)

On Form 1099-R,[5] payers (entities that issue the payments) report:

- Gross distributions in box 1
- Whether the payer determined the taxable amount in the "taxable amount not determined" checkbox (box 2b)
    - If the taxable amount not determined checkbox is unchecked, taxable distributions should be reported in box 2a

[2] Although not analyzed in this paper, our related research also uses data from Form SSA-1099 (Social Security Benefit Statement) and Form W-2 (Wage and Tax Statement).

[3] A Form 1099-R must be filed for each person to whom distributions are made from "…profit-sharing or retirement plans, any individual retirement arrangements (IRAs), annuities, pensions, insurance contracts, survivor income benefit plans, permanent and total disability payments under life insurance contracts, charitable gift annuities, etc." See Internal Revenue Service (2010).

[4] See a picture of the relevant section of the 2010 Form 1040 in the Appendix.

[5] See a picture of the 2010 Form 1099-R in the Appendix.

  - Otherwise, box 2a should generally contain the gross distribution amount for non-Roth distributions and should be left blank for Roth distributions
- Distribution codes in box 7
- Whether the distribution is from an IRA, indicated by the "IRA/SEP/SIMPLE" checkbox, which should be checked if a distribution came from one of three types of IRAs (traditional IRA, SEP-IRA, or SIMPLE IRA).
- The amount of taxable distributions that are capital gains in box 3

3. Processing of Form 1099-R Data

SOI provides researchers with files that include data from information returns for taxpayers in the INSOLE sample. These files are structured so that there is one record for each information return. Individuals may receive multiple Form 1099-Rs in a given year, however. For example, among individual taxpayers who received at least one Form 1099-R in 2010, 40 percent received more than one.[6] For these taxpayers, the information from the multiple forms must be combined to create a single record for matching against Form 1040 amounts.

Simply summing the dollar fields for individuals receiving multiple Form 1099-R to produce total gross distribution and total taxable distribution amounts by taxpayer and creating a list of all distribution codes received was not appropriate for our analysis. This would allow us to analyze the amount of distributions a taxpayer received and the distribution codes the taxpayer received, but the distribution amounts attributable to a given distribution category could not be determined.[7] Summing the amounts would also not allow us to use the "taxable amount not determined" checkbox, which would result in the taxable field having little analytical value. In addition, we could not differentiate IRA distributions from pension and annuity distributions

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[6] Taxpayers who received more than one Form 1099-R accounted for 64 percent of gross distributions reported on Form 1099-R. Among those who received at least one Form 1099-R in 2010: 23 percent received two; 10 percent received three; 4 percent received four; and 3 percent received five or more.

[7] Among those who received at least one Form 1099-R in 2010, 14 percent had multiple distribution categories, accounting for 33 percent of gross distributions reported on Form 1099-R.

without associating the dollar amounts with the "IRA/SEP/SIMPLE" checkbox and the box 7 codes.[8]

For the purposes of our research, we developed a new method of aggregating the information return data.

First, we adjust the amount of taxable distributions reported in box 2a of Form 1099-R using box 2b—the "taxable amount not determined" checkbox. Box 2b should generally be checked for IRA distributions but should only be checked for pensions and annuities if the payer was "unable to reasonably obtain the data needed to compute the taxable amount".[9] In situations where box 2b is checked, we classify Roth distributions as entirely nontaxable and we classify most other distributions as entirely taxable. Exceptions to this rule include rollovers and section 1035 exchanges, which are treated as nontaxable. In addition, IRA recharacterizations may be taxable (traditional to Roth) or nontaxable (Roth to traditional), so we determine their tax status in a later step, when we compare Form 1099-R retirement distributions with Form 1040 retirement distributions.

Then, we aggregate Form 1099-R gross distributions and taxable distributions for each taxpayer by category, with each distribution category aggregated at the level of:

(1) IRA distributions,[10]

(2) pensions and annuities,[11] and

(3) retirement distributions (the sum of IRA distributions and pensions and annuities).

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[8] See note 10 for an explanation of how we identify Form 1099-R IRA distributions. Among tax returns with either IRA distributions or distributions from pensions and annuities reported on Form 1040, 23 percent reported both IRA distributions (line 15) and distributions from pensions and annuities (line 16), accounting for 38 percent of gross pension, annuity, and IRA distributions reported on Form 1040.

[9] See Internal Revenue Service (2010).

[10] Form 1099-R IRA distributions include distributions with the IRA/SEP/SIMPLE checkbox checked, as well distributions with a box 7 code specifying that the distribution originated from a Roth IRA.

[11] Form 1099-R pension and annuities are simply all distributions not identified as IRA distributions.

Distributions are aggregated by category and by tax characteristics using a combination of the distribution codes reported in box 7 and the IRA/SEP/SIMPLE checkbox.[12] In addition, we record capital gains reported in box 3 for distributions with a 10-year tax option[13] and distributions from a charitable gift annuity.

3.1 Initial Check for Match Between Tax Return and Information Returns

After we have aggregated the Form 1099-R data by taxpayer, we then compare Form 1099-R retirement distributions with retirement distributions reported on Form 1040. For taxpayers filing a non-joint return, we compare distributions reported on the tax return to the total amount of distributions reported on all Form 1099-Rs the taxpayer receives. For married taxpayers filing a joint return, we compare distributions reported on the tax return to the total amount of distributions reported on all Form 1099-Rs received by the taxpayer and their spouse.

A tax return is defined as a *match* if Form 1040 distributions reported on Form 1040 are within $100 of distributions reported of Form 1099-R. In the case of a joint tax return, if the amounts are within $100, then both the primary taxpayer and secondary taxpayer are coded as matching. We check separately for matches of Form 1099-R distributions with:

(1) Form 1040 IRA distributions (line 15)

(2) Form 1040 pensions and annuities (line 16)

(3) Form 1040 retirement distributions (the sum of Form 1040 line 15 and line 16)

3.2 Adjustments Made to the Data

If Form 1040 retirement distributions do not initially match Form 1099-R retirement distributions, certain adjustments are made to the data. These adjustments may be made to either Form 1099-R distributions or Form 1040 distributions, but in many cases are only made if the adjustments result in a match.

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[12] See Appendix Tables A.1–A.3 for a listing of box 7 codes, the types of distributions that could have those codes, and a mapping of box 7 codes to the categories we use in the paper.

[13] See note 19 for an explanation of the 10-year tax option.

3.2.1 Adjusting Form 1099-R Distributions

We adjust Form 1099-R distributions so that they include, as best as we can ascertain, only those distributions that the taxpayer should report on Form 1040 line 15 and line 16. Some Form 1099-R distributions are reported elsewhere on the tax return or associated forms. Other Form 1099-R distributions are not reported at all on the current year's tax return. For some distributions, the taxable amount can only be determined using information taxpayers report on associated forms filed with a return. For other distributions, we cannot determine the proper taxable amount using the available data.

Removing distributions not included in Form 1040 retirement distributions

We remove from Form 1099-R retirement distributions (both gross and taxable) certain types of distributions that should not be reported on line 15 or line 16 of Form 1040. These include:

- *The return of excess contributions to an employer plan:* If employee contributions to an employer plan (or plans) exceed the applicable limit, the plan must distribute the excess contributions plus investment returns. If the corrective distribution is made by April 15 of the following year, the return of excess contributions is included in wage and salary income reported on Form 1040 line 7; corrective distributions are not included in distributions from pensions and annuities reported on Form 1040 line 16.[14]

- *Recharacterizations associated with transactions from the previous tax year:* A taxpayer with an IRA contribution (traditional or Roth), a rollover from a qualified plan into an IRA (traditional or Roth), or a Roth IRA conversion has until the due date of their return (including extensions) to recharacterize the nature of the transaction—either from

[14] Unless made to a designated Roth account, if the corrective distribution does not occur by April 15 of the following year then excess contributions are subject to tax in both the year of the contribution and in the year of the distribution. If the distribution is made after April 15 of the following year, then excess contributions are included in wage and salary income (and reported on line 7) in both the year the contribution was made (with the taxpayer filing an amended return for that year) and the year in which the corrective distribution was made. If investment returns are positive, distributions of investment returns are included in wage and salary income in the year of the corrective distribution, regardless of the year the excess contribution was made. No deduction is allowed if investment returns are negative. See Internal Revenue Service (2011e).

traditional to Roth or from Roth to traditional.[15] Recharacterizations require that the original amount of the transaction, plus investment returns, be transferred from the IRA which originally received the funds to an IRA of the opposite type. The Form 1099-R on which the transfer is reported is based on the date of the recharacterization, not the date of the original transaction.[16] If a recharacterization occurs within the calendar year, it is included in gross IRA distributions reported on line 15a of that year's Form 1040; no portion of the distribution is included in taxable IRA distributions reported on line 15b, however, as recharacterizations are not subject to tax.[17] If the recharacterization occurs in the following calendar year, it is not reported on Form 1040 (neither the return for the year of the original transaction nor the return for the year of the recharacterization).[18]

- *Certain lump sum distributions:* Employer plan participants born before 1936, or their beneficiaries, may elect an alternative tax treatment for certain lump sum distributions.[19]

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[15] If the return is filed in a timely manner, the taxpayer has up to six months after the filing deadline (not including extensions) to recharacterize a contribution, rollover, or conversion. If the recharacterization occurs after a return is filed, however, the taxpayer must then file an amended return. See Internal Revenue Service (2011b).

[16] For example, if a 2010 transaction was recharacterized after December 31, 2010, the recharacterization would be reported on 2011 Form 1099-R, which taxpayers would receive in January 2012. See Internal Revenue Service (2011b).

[17] Recharacterizations are not taxable. Instead, taxpayers should treat the original transaction as a contribution to the second IRA. For example, if a traditional IRA contribution is later recharacterized as a Roth IRA contribution, the taxpayer would not take a deduction for the original contribution. Similarly, if a rollover from an employer plan is later recharacterized as a Roth rollover, the original rollover amount (not the amount transferred from the traditional IRA to the Roth IRA when recharacterized) is reported as a Roth rollover on Form 8606 and included in taxable pensions and annuities reported on line 16b. See Internal Revenue Service (2011b).

[18] See note 17 for a discussion of the tax treatment of recharacterizations. Regardless of when the recharacterization occurs, taxpayers are required write a statement explaining the transaction and attach it to the tax return (or amended tax return) filed for the tax year of the original transaction. See Internal Revenue Service (2011b).

[19] Plan participants born before 1936, and beneficiaries of plan participants born before 1936, who receive a lump-sum distribution of the participant's "… entire balance from all of the employer's qualified plans of one kind (for example, pension, profit-sharing, or stock bonus plans) …" may have the option to choose an alternative tax treatment. Distributions from IRAs, 457 plans, and 403(b) plans are not eligible for this provision. The part of the distribution attributable to active participation in the plan before 1974 may be treated as capital gains and subject to capital gains tax rates. The part of the distributions attributable to participation after 1974 is treated as ordinary income, but the taxpayer may elect a 10-year tax option for that income. Under the 10-year tax option, all tax is due in the current year, but the tax on the distribution is calculated by assuming the lump sum payment was instead paid out in 10 equal annual payments and applying the current year tax rate schedule to the resulting amounts. See pp. 19-25 of Internal Revenue Service (2011d). Distributions eligible for the 10-year tax option (and, if applicable, the capital gains election) are identified on Form 1099-R with a distribution code reported in box 7 and the portion of the distribution eligible for capital gains tax treatment is reported in box 3 (see appendix Table A.1).

Taxpayers who choose to take the capital gain election and/or the 10-year tax option do not report eligible distributions on Form 1040 line 16. Instead, distributions taxed as capital gains or taxed as ordinary income under the 10-year tax option are reported on Form 4972, and the tax owed on this income is included with other taxes and reported on Form 1040 line 44.

- *Certain disability benefits paid by employer plans:* Distribution of disability benefits from employer plans "… received before you reach the minimum retirement age set by your employer…" should be included in wage and salary income reported on Form 1040 line 7.[20] Disability benefits received after reaching the plan's minimum retirement age, however, should be reported on Form 1040 line 16. To account for disability benefits reported on Form 1040 line 7, disability distributions from employer plans are removed from Form 1099-R distributions if:
  (1) Form 1099-R gross retirement distributions do not match Form 1040 gross retirement distributions; and
  (2) removing the distributions results in a match between both:
    (a) Form 1099-R and Form 1040 gross retirement distributions, and
    (b) Form 1099-R and Form 1040 taxable retirement distributions.

Accounting for the return of excess contributions to an IRA

If a taxpayer contributes more than the applicable limit to an IRA (or IRAs), the taxpayer has until the due date of their return (including extensions) to distribute the excess contributions plus investment returns to avoid paying a 6 percent penalty on the excess amounts.[21] If the corrective distribution is made by the deadline, the taxpayer reports the full distribution on Form 1040 line 15a, but only the investment returns are reported as taxable income on Form

[20] Internal Revenue Service (2011a), p. 23.

[21] If the return is filed in a timely manner, the taxpayer has up to six months after the filing deadline (not including extensions) to distribute the excess amount and avoid the 6 percent penalty on excess IRA contributions. If the return of the excess amount occurs after a return is filed, however, the taxpayer must then file an amended return. See Internal Revenue Service (2011b).

1040 line 15b.[22] The original excess contribution is not subject to tax because it is treated as never having been made. For example, if the excess contribution was made to a traditional IRA, the taxpayer should not take a deduction for the excess contributions.

For corrective distributions made by the filing deadline (including extensions) and reported on 2010 Form 1099-R, only those attributable to excess IRA contributions made for the 2010 tax year should be reported on the 2010 Form 1040. Corrective distributions attributable to excess IRA contributions made for the 2009 tax year should be reported on the 2009 Form 1040.

If taxpayers do not make corrective distributions by the due date of their return (including extensions), a 6 percent penalty is assessed on excess amounts every year they remain in the IRA. If excess amounts are eventually distributed, they would generally be subject to tax in the year distributed.[23] However, the distribution would not be taxable if: the contributions did not exceed that applicable contribution limit (that would have applied in the year of the contribution if the taxpayer would have had sufficient wage and salary income); and no deduction was allowed or taken for the excess contributions. Even if the taxpayer originally took a deduction, the distribution would not be taxable if they subsequently filed an amended return for the tax year of the original contribution.

Corrective distributions that are not made by the filing deadline (including extensions), should be reported on Form 1040 in the calendar year of the distribution. For 2010, this would include distributions of 2009 excess IRA contributions made after October 17 and all distributions of excess IRA contributions from 2008 or earlier.

[22] For corrective distributions made by the filing deadline (including extensions), taxpayers are required to write a statement explaining the transaction and attach it to the tax return (or amended tax return) filed for the tax year of the excess contribution. See Internal Revenue Service (2011b).

[23] Rather than distributing excess contributions plus investment returns, taxpayers can count them against the contribution limit for future years (to the extent that other IRA contributions are below the applicable contribution limit). Although this allows the taxpayer to avoid making a distribution, it does not allow the taxpayer to avoid the 6 percent penalty. For example, a taxpayer who made an excess IRA contribution in 2009 and who was able to count the entire excess amount (excess contribution plus investment earnings) as a contribution in 2010 would still be required to pay the 6 percent penalty in 2009.

Removing nontaxable distributions from Form 1099-R taxable distributions

We remove two types of nontaxable distributions that are not identified on Form 1099-R but are identified on Form 1040 from Form 1099-R taxable IRA distributions.

- *Qualified charitable distributions:* Taxpayers who are at least age 70½ are eligible to distribute amounts from a traditional or Roth IRA directly to an eligible charitable organization. These distributions are reported by writing "QCD"—but not the amount of the distribution—next to Form 1040 line 15b.[24] The maximum exclusion from income for a QCD is $100,000. For married couples, each spouse may exclude up to $100,000.

- *HSA funding distributions:* Once during their lifetimes, taxpayers can distribute amounts from a traditional or Roth IRA to fund a health savings account (HSA). These distributions are reported by writing "HFD", but not the amount of the distribution, next to Form 1040 line 15b.[25] HSA funding distributions cannot exceed the annual HSA contribution limit, which differs based on the type of coverage ($3,050 for self-only, $6,150 for family) and age (an additional $1,000 per taxpayer "catch-up" contribution allowed for individuals age 55 or older).

Although taxpayers report that they made these distributions, they do not report the amount of the distribution on Form 1040. We estimate the amount of these distributions for returns which both: (1) have a QCD code and/or an HFD code written on line 15; and (2) have Form 1099-R taxable IRA distributions that exceed Form 1040 taxable IRA distributions. For these returns, the amount of these distributions are set equal to the lesser of: (1) the difference between Form 1099-R taxable IRA distributions and Form 1040 taxable IRA distributions; or (2) the applicable limits (or the sum of the applicable limits for returns with both codes) on these distributions.

[24] For more information, see "Qualified Charitable Distributions" in Internal Revenue Service (2011c). Also see "Exception 3" under "Lines 15a and 15b" in Internal Revenue Service (2011a).

[25] For more information, see "Exception 4" under "Lines 15a and 15b" in Internal Revenue Service (2011a).

Adjusting taxable distribution amounts reported on Form 1099-R

Taxable distributions reported on Form 1099-R may not always be the amount taxpayers should report as taxable retirement distributions on Form 1040, either because the payer issuing the Form 1099-R was unable to calculate the taxable amount or because a portion of the taxable amount is not reported on Form 1040 line 15b or line 16b.

Although we cannot adjust Form 1099-R taxable distributions in all such cases, we are able to make the following adjustments using information reported on Form 8606.[26]

- *Basis in traditional IRA distributions or Roth conversions:* After-tax contributions to traditional IRAs, including after-tax employee contributions to an employer plan later rolled into a traditional IRA, are not subject to tax when distributed or when converted to a Roth IRA. We identify the portion of these distributions attributable to after-tax contributions—that is, the nontaxable basis—using Form 8606.

- *Basis in nonqualified Roth distributions:* Unless eligible for an exception, distributions from a Roth IRA or from certain designated Roth accounts are considered nonqualified if they are made before age 59-1/2 or within 5 years of an individual first establishing a Roth account. Nonqualified Roth distributions are taxable, but only to the extent that distributions represent investment returns earned on Roth contributions. We identify the portion of non-qualified Roth distributions attributable to Roth contributions—that is, the nontaxable basis—using Form 8606.

[26] For taxpayers who filed a Form 8606 and reported basis in IRA distributions or Roth conversions, we calculate Form 1099-R taxable IRA distributions using two methods. In cases where the two calculations differ, we use the greater of the two amounts. The first method, which follows IRS instructions for filling out Form 1040 (Internal Revenue Service 2011a) and Form 8606 (Internal Revenue Service 2011b), subtracts certain nontaxable distributions from gross distributions reported on Form 1099-R. This method starts with Form 1099-R gross IRA distributions, removes Form 1099-R IRA rollovers, and then removes nontaxable IRA distributions reported on Form 8606 (basis in IRA distributions, basis in Roth conversions, and Roth conversions taxable in 2011 and 2012). The second method calculates Form 1099-R taxable distributions as the sum of taxable IRA distributions reported on Form 8606 (taxable IRA distributions and Roth conversions taxable in 2010). Presumably, the second method is greater only in cases where we have not successfully matched the tax return to all 2010 Form 1099-R issued for the taxpayer (or taxpayers) on the return.

- *Taxable Roth rollovers:* For the first time in 2010, taxpayers could transfer tax-deferred compensation directly from an employer plan to a Roth IRA or make an in-plan transfer from a tax-deferred account to a Roth account. [27] Initially, we set Form 1099-R taxable distributions to zero for all rollovers.[28] We use the Form 8606 to add taxable Roth rollovers to Form 1099-R taxable distributions.

- *Roth conversions and Roth rollovers taxable in 2011 and 2012:* A special two-year tax rule applied to Roth conversions and taxable Roth rollovers that occurred in 2010.[29] Typically, the taxable portion of Roth conversions and Roth rollovers would be included in income (that is, reported on Form line 15b or line 16b) in the year of the transaction. In 2010 only, taxpayers had the option to not claim the income in 2010 and instead spread the income equally over 2011 and 2012. We identify Roth conversions and Roth rollovers, including the portion of these distributions not taxable in 2010, using Form 8606.

In addition, we use information reported on Form 1099-R to make another adjustment to Form 1099-R taxable IRA distributions:

- *Capital gains distributed from charitable gift annuities.* With a charitable gift annuity, a taxpayer transfers cash or appreciated property to a charitable organization and the charity provides the donor with a life annuity.[30] When funded with cash, a portion of each annuity payment is taxed as ordinary income and a portion is nontaxable return of

[27] Previously, in-plan Roth rollovers were not allowed. In addition, although direct transfers from a designated Roth account to a Roth IRA were allowed prior to 2010, tax-deferred compensation first had to be transferred to a traditional IRA and then converted to a Roth IRA.

[28] Although taxable pension rollovers should be reported in box 2b on the 2010 Form 1099-R, we initially treat all rollovers as entirely nontaxable because of concerns about the accuracy of the data. We observed substantial taxable rollover distributions reported on Form 1099-R in prior years, even though Roth rollovers were not allowed until 2010.

[29] In addition, two permanent changes were made to the tax rules. First, as already discussed, taxable Roth rollovers were allowed. Second, income limits on Roth conversions were removed. Prior to 2010, taxpayers could not make a Roth conversion if their AGI (not including the Roth conversion) was $100,000 or more, or if they were married and filed a separate return from their spouse.

[30] The taxpayer can take a charitable deduction for transfers of cash or property in excess of the value of the life annuity.

principal. When funded with appreciated property, each annuity payment is split between ordinary income, capital gain (attributable to the unrealized gain in the appreciated property), and nontaxable return of principal (attributable to the basis in the appreciated property). Capital gains distributed from charitable gift annuities are not included as taxable distributions reported on Form 1040, line 16b. Instead they are reported as capital gains on Form 8949 and Schedule D.

Indirect rollovers

Taxpayers have the option to make an indirect rollover by taking a distribution from an employer plan or IRA and contributing the same amount to an IRA within 60 days. Indirect rollovers would not be coded as a "rollover" on Form 1099-R, however, as the Form 1099-R "rollover" code is only used for distributions transferred directly into another retirement account.[31] An indirect rollover can be identified using Form 5498, on which contributions and rollovers are reported.

To identify indirect rollovers, we check to see if:

1. Form 1099-R taxable retirement distributions do not match Form 1040 taxable retirement distributions (i.e., the amounts differ by more than $100);
2. Form 1099-R taxable retirement distributions exceed Form 1040 taxable retirement distributions; and
3. Rollovers into IRAs reported on Form 5498 exceed rollovers out of employer plans and IRAs reported on Form 1099-R.

If all three conditions are met and Form 5498 excess rollovers (Form 5498 rollovers minus Form 1099-R rollovers) are within $100 of Form 1099-R excess taxable retirement distributions (Form 1099-R taxable retirement distributions minus Form 1040 taxable retirement distributions), indirect rollovers are set equal to Form 5498 excess rollovers.

[31] Direct rollovers can be made: from an employer plan to an IRA; from an IRA to an employer plan; from an employer plan to another employer plan; or from one type of IRA to another. Distributions that are later rolled (indirectly) into an IRA would typically be coded as either "normal" or "early, no known exception" on Form 1099-R.

Because indirect rollovers may be miscoded as contributions on Form 5498, we also check to see if:

1. Form 1099-R taxable retirement distributions do not match Form 1040 taxable retirement distributions (i.e., the amounts differ by more than $100);
2. Form 1099-R taxable retirement distributions exceed Form 1040 taxable retirement distributions;
3. Contributions to traditional IRAs reported on Form 5498 exceed the contribution limit (including catch-up contributions if applicable) for the taxpayers on the return;
4. Contributions to traditional IRAs reported on Form 5498 exceed rollovers out of employer plans and IRAs reported on Form 1099-R; and
5. IRA contributions are not deducted on Form 1040.

If all five conditions are met and Form 5498 excess traditional IRA contributions (Form 5498 traditional IRA contributions minus Form 1099-R rollovers) are within $100 of Form 1099-R excess taxable retirement distribution (Form 1099-R total taxable distributions minus Form 1040 total taxable distributions), indirect rollovers are set equal to Form 5498 excess traditional IRA contributions.

Reconciling Taxable Amounts by Category

The adjustments we make to Form 1099-R taxable distributions using information reported on the tax return or on Form 5498 are not associated with specific distribution codes. These include adjustments for qualified charitable distributions, HSA funding distributions, basis in IRA distributions and conversions, conversions and Roth rollovers not taxed in 2010, and indirect rollovers. We also do not know the source (employer plan or an IRA) of indirect rollovers.

For taxpayers with more than one type of Form 1099-R distribution, we prioritize which categories the adjustments are taken from.

- Because direct rollovers predominately originate from pensions, indirect rollovers are first removed from Form 1099-R taxable pensions and annuities, and only subsequently removed from Form 1099-R taxable IRA distributions if indirect rollovers are greater than Form 1099-R taxable pensions and annuities.

- All adjustments are removed from the distribution categories based on the age of the taxpayer.
  - For taxpayers aged 60 or older, these distributions are removed from the *normal* category first.
  - For taxpayers younger than age 60, Roth conversions not taxable in 2010 are first removed from the *early, exception* category, and other distributions are first removed from the *early, no known exception* category.[32]

Allowing for some misreporting

Given the complexity of the reporting rules, it would be understandable if taxpayers reported some distributions incorrectly, particularly if such misreporting would not affect calculated tax liability. This could include both: reporting on Form 1040 line 15 and line 16 distributions that should be reported elsewhere; and reporting elsewhere distributions that should be reported on Form 1040 line 15 and line 16.

The prime candidates for such misreporting were distributions reported on Form 1040 line 7 (corrective distributions of excess contributions to an employer plan) or elsewhere (recharacterizations of transactions that occurred in a prior tax year), and distributions included in wage and salary income reported on Form 1040 line 7 if from an employer plan, but included in IRA distribution reported on Form 1040 line 15 if from an IRA (distributions made to individuals who were disabled and corrective distributions of excess contributions).

If Form 1040 gross retirement distributions and Form 1099-R gross retirement distributions did not match, we made certain adjustments to Form 1099-R distributions if doing so resulted in a match.

Specifically, the following were added back into Form 1099-R distributions:

- Form 1099-R return of excess contributions to an employer plan

[32] Rather than having a rollover code in box 7, some Roth rollovers appear to have been coded as normal or early distributions on Form 1099-R. In these cases, Roth rollovers not taxable in 2010 were also removed from Form 1099-R taxable distributions.

- Form 1099-R recharacterizations attributable to a prior tax year

And, the following were subtracted from Form 1099-R distributions:

- Form 1099-R disability distributions from an IRA
- Form 1099-R return of excess contributions to an IRA

3.2.3 Adjusting Form 1040 Amounts

Certain nontaxable Form 1099-R distributions were added to Form 1040 gross distributions if it appeared that they represented the only discrepancy between Form 1099-R retirement distributions and Form 1040 retirement distributions. Taxpayers are instructed to report taxable IRA distributions on Form 1040 line 15b and taxable pensions and annuities on line 16b, but to report gross distributions on line 15a and 16a only if they differ from taxable distributions. If gross distributions are the same as taxable distributions, they are instructed to leave line 15a and line 16a blank. Failing to report gross distributions has no impact on tax liability. Once again, given the complexity of reporting rules, it would be understandable if taxpayers failed to report gross distributions, particularly because failing to do so has no impact on tax liability.

If Form 1040 and Form 1099-R taxable retirement distributions matched, but gross retirement distributions did not, the following were added to Form 1040 gross distributions if doing so resulted in a match:

- Form 1099-R rollovers
- Form 1099-R 1035 exchanges[33]
- Form 1099-R rollovers plus Form 1099-R 1035 exchanges
- Form 1099-R Roth distributions
- Roth conversions reported on Form 8606 as taxable in 2011 and 2012

In addition, Form 1040 gross distributions are adjusted separately to account for "keypunch" errors. On some records, it appeared to be the case that the gross distributions amounts reported on Form 1040 line 15a or line 16a were the same as the gross distribution amounts reported on Form 1099-R, but with missing decimal points or additional leading or trailing

[33] These are tax-free exchanges of one insurance product (annuity contracts, life insurance policies, or modified endowment contracts) for a newer, or otherwise different, version of the same product.

digits.[34] To correct at least some of these errors, we identified tax returns where (1) Form 1040 and Form 1099-R gross distributions did not match, (2) Form 1040 gross distributions were greater than Form 1099-R gross distributions, and (3) Form 1099-R distributions were positive. For these records, we divided Form 1040 gross distributions by 10, 100, and 1,000. If any of the three resulting values were within $2 of Form 1099-R gross distributions, then Form 1040 gross distributions were set equal to that value.[35]

4. Allocating Form 1040 Amounts by Form 1099-R Distribution Codes

Once the Form 1099-R data are processed and, to the extent possible, reconciled with the Form 1040 data, we then combine the two data sources. When retirement distribution amounts match, the process is straightforward. When the amounts do not match, we must decide how to proceed.

In this study, we assume that the amounts reported on Form 1040 are correct even if they do not match the amounts reported on Form 1099-R. This section explains why we make this assumption, and how we allocate the amounts reported on Form 1040 by the detailed distribution codes reported on Form 1099-R.

4.1 Form 1040 May Be Correct Even If It Does Not Match Form 1099-R

We assume retirement distributions reported on Form 1040 are correct because tax returns—unlike information returns—are subject to penalties for misreporting, and because there are many cases when we would be unable to reconcile amounts reported on Form 1040 and Form 1099-R even when taxpayers correctly report taxable retirement distributions on their tax returns.

[34] Taxpayers may have introduced these errors by incorrectly reporting the amounts on Form 1040. Alternatively, the errors may have been introduced when tax returns were processed for the INSOLE file. Information from tax returns included in the SOI sample is keypunched by hand for both paper and electronically filed returns. In the process, errors may be introduced (e.g., missing decimal places, extraneous digits, etc.). Although the data are edited, gross amounts are less likely to be adjusted because they do not affect tax liability.

[35] We imposed an additional condition after discovering that the correction for keypunch errors could result in corrections we should not have made. For example, a taxpayer with a fully taxable $2,000 Form 1040 distribution for whom we could find no Form 1099-R distributions would be treated as a match by this method ($2,000 / 1,000 = $2, which is within $2 of the $0 on Form 1099-R). Because of this, we only made the adjustment if the resulting amount of Form 1040 gross distributions was no more than $10 less than Form 1040 taxable distributions.

Despite our best efforts, there are several reasons why we would be unable to reconcile retirement distributions reported on Form 1040 line 15 and line 16 with distributions reported on Form 1099-R. For example:

- There may be filing errors on either Form 1040 or Form 1099-R, such as an incorrect Social Security number, that make it impossible to link tax returns to the correct information returns.
- There are some nontaxable distributions for which we cannot adjust with the available data, and such distributions would result in differences between gross distributions and taxable distributions reported on Form 1040 that could not be explained by the Form 1099-R data.[36]
- Indirect rollovers could account for differences between gross and taxable distributions, but cannot be identified using only Form 1099-R. We attempt to account for these using information from Form 5498, but it is unlikely we have identified all indirect rollovers.[37]
- Although we attempt to identify Form 1099-R distributions that should be reported somewhere other than Form 1040 lines 15 or 16, it is possible that we have not identified all such distributions or that some of these distributions were coded incorrectly on Form 1099-R.
- Although taxpayers are instructed to report gross distributions if they differ from taxable distributions, it is possible that some taxpayers choose to report taxable distributions only, particularly as doing so does not affect the calculation of tax

[36] For example, distributions used to pay up to $3,000 of insurance premiums for retired public safety officers (e.g., law enforcement officers and firefighters) are excluded from taxable distributions. Taxpayers are instructed to report gross distributions on line 16a, report taxable distributions on line 16b, and write "PSO" next to line 16b. For more information, see "Insurance Premiums for Retired Public Safety Officers" under "Lines 16a and 16b" in Internal Revenue Service (2011a). With the available data, we have no way to identify which taxpayers deducted such premiums, nor are we able to properly calculate taxable distributions based on Form 1099-R alone.

[37] For example, if, in addition to indirect rollovers, there were other reasons why Form 1040 distributions did not match Form 1099-R distributions, our method would not identify any portion of the difference as an indirect rollover. This is because we require the indirect rollover to account for all differences between the two numbers. Indirect rollovers that bridge two calendar years (where the distribution was taken at the end of one year, and the rollover made at the beginning of the next), would also not be classified as indirect rollovers by our method.

liability.[38] Although we attempt to adjust for this, we may not have accounted for all of it.[39]

- We do not incorporate information from amended information returns or amended tax returns. Taxpayers may have correctly reported on Form 1040 the information from an amended Form 1099-R. Alternatively, taxpayers may have filed an amended Form 1040 on which they correctly reported the amounts from an original Form 1099-R.
- Amounts may have been correctly reported on both Form 1040 and Form 1099-R, but incorrectly recorded in the database.

4.2 Allocation procedure

We allocate retirement distributions reported on Form 1040 to various categories using Form 1099-R, Form 5498, and various forms filed by taxpayers with their tax return.[40] The primary data used for categorization are the detailed distribution codes reported in Form 1099-R box 7. Amounts reported on Form 1040 line 15 (IRA distributions) and amounts reported on Form 1040 line 16 (pensions and annuities) are allocated separately. For married couples filing a joint return, amounts are also allocated to the primary taxpayer and the secondary taxpayer.

Allocations are done in two separate steps: one for Form 1040 nontaxable distributions and one for Form 1040 taxable distributions.

Allocations for both nontaxable and taxable distributions follow the same general procedure.

- If distributions reported on Form 1040 either (1) are less than the amounts reported on Form 1099-R or (2) match the amounts reported on Form 1099-R (i.e., the amounts are

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[38] As noted earlier in the text, taxpayers are instructed to report taxable IRA distributions on Form 1040 line 15b and taxable pensions and annuities on line 16b. If gross distributions are different than taxable distributions, they are instructed to report gross IRA distributions on line 15a and total pensions and annuities on line 16a. If the gross distributions are the same as taxable distributions, they are instructed to leave line 15a and line 16a blank.

[39] We attempt to adjust for differences between gross distributions reported on Form 1040 and on Form 1099-R that are solely attributable to rollovers, Section 1035 exchanges, nontaxable Roth distributions, and Roth conversions taxable in 2011 and 2012. See discussion in section 3.

[40] Form 5498 is used to identify indirect rollovers. Forms filed with tax returns are also used to allocate distributions into categories, including Form 8606, Form 4972, Form 8949, and Schedule D. See discussion in section 3.

within $100 of each other), then Form 1040 amounts are allocated to the various categories in the same proportion as they appear on Form 1099-R.[41]

- If retirement distributions reported on Form 1040 are greater than the amounts reported on Form 1099-R by more than $100, then Form 1040 amounts are allocated to the various categories using the actual dollar amounts reported on Form 1099-R, with 1040 amounts in excess of Form 1099-R amounts categorized as *unidentified*.
- For joint returns, each individual category is allocated to the primary and secondary taxpayer based on each taxpayer's share of that category on Form 1099-R. For the *unidentified* category, nontaxable amounts are allocated based on each taxpayer's share of gross 1099-R distributions, or allocated equally if neither taxpayer had gross distributions on Form 1099-R. Taxable *unidentified* amounts are allocated based on each taxpayer's share of taxable 1099-R distributions, gross 1099-R distributions if neither taxpayer had taxable distributions on Form 1099-R, or equally to each taxpayer if neither taxpayer had gross distributions on Form 1099-R.

Gross and taxable distribution amounts reported on Form 1040 are unchanged during the allocation process. In all cases, the sum of the taxable and nontaxable distribution amounts are equal to the reported gross amounts.

5. Incidence and amount of retirement distributions by form type

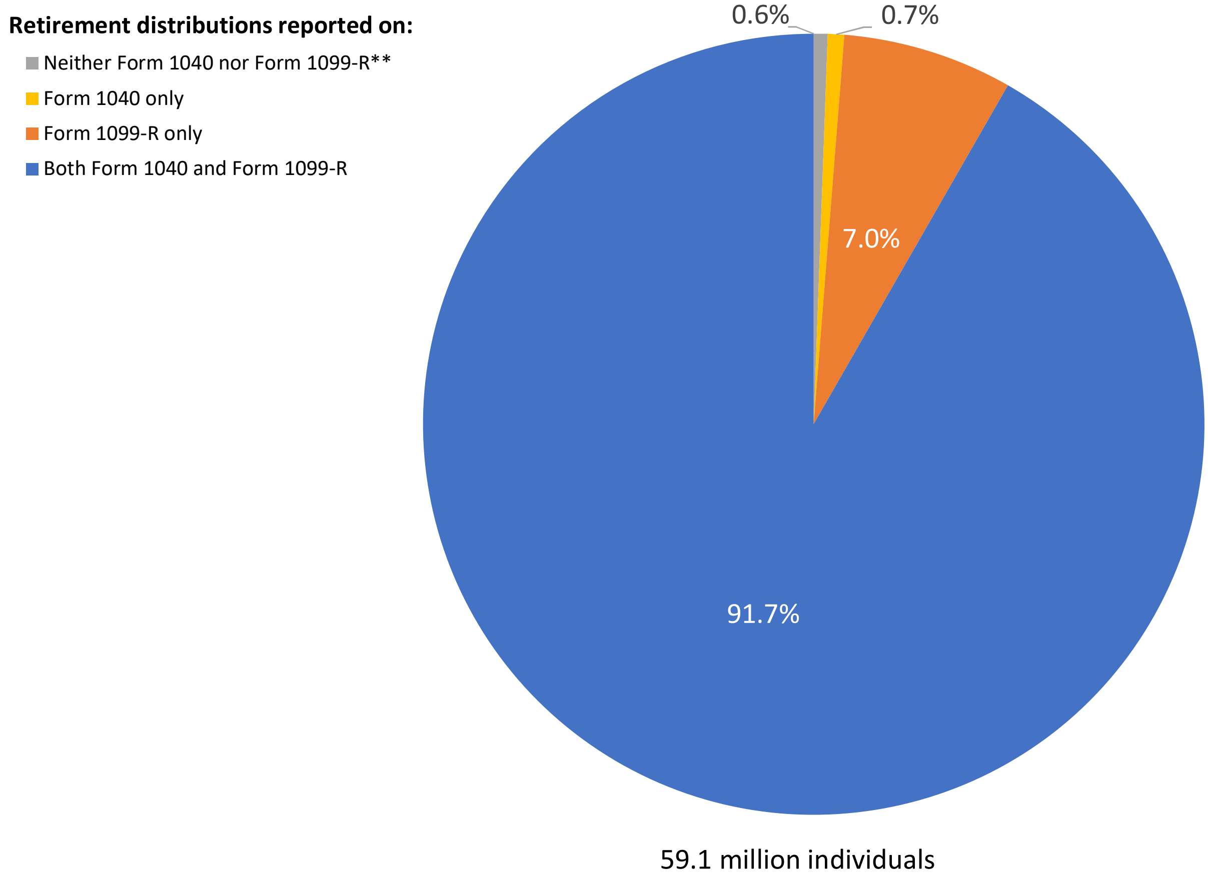
Nearly all taxpayers with evidence of retirement distributions in 2010 have retirement distributions reported on both Form 1040 and Form 1099-R (Figure 1). Overall, 54.2 million taxpayers (91.7 percent) had distributions reported on Form 1040 line 15 or line 16 and on Form 1099-R. Another 4.6 million taxpayers had distributions reported only on Form 1099-R (4.2 million, or 7.0 percent), or only on Form 1040 line 15 or line 16 (0.4 million, or 0.7 percent). The

[41] If Form 1040 retirement distributions are exactly equal to Form 1099-R retirement distributions, then the amount of distributions in each Form 1040 category will exactly match the amount reported in each Form 1099-R category.

Figure 1

Most with Evidence of Retirement Distributions Both Report on Form 1040 and Receive a Form 1099-R

Percentage of taxpayers who reported retirement distributions on Form 1040 or who received at least one Form 1099-R, 2010*



* Form 1040 retirement distributions include IRA distributions (reported on line 15) and pension and annuity distributions (reported on line 16). Form 1040 total distributions also include nontaxable rollovers, section 1035 exchanges, Roth distributions, and Roth conversions taxable in 2011 and 2012 that were only reported on Form 1099-R.

** Individuals who had 1099-R distributions that are not reported on line 15 (IRA distributions) or line 16 (pension and annuity distributions) of Form 1040. These include disability distributions reported on line 7 (wage and salary income), distributions of IRA excess contributions attributable to prior tax years, distributions of pension excess contributions reported on line 7 (for current or prior tax years), and eligible lump-sum distributions reported on Form 4972.

Source: Author's tabulations of IRS data

remaining 0.3 million taxpayers (0.6 percent) only had Form 1099-R distributions that were reported somewhere other than Form 1040 line 15 or line 16.[42]

Overall, 99.5 percent of gross income on Form 1040 and 97.9 percent of gross income on Form 1099-R are from taxpayers with reporting on both forms (Figure 2). The pattern is similar for taxable amounts—99.7 percent of taxable income on Form 1040 and 97.8 percent of taxable income on Form 1099-R are from taxpayers with reporting on both forms. Although 7.0 percent of taxpayers with evidence of retirement distributions only had Form 1099-R distributions, this accounts for a relatively small share (2.1 percent, or $27 billion) of gross income reported on Form 1099-R (Figure 2). Distributions only reported on Form 1099-R tend to be smaller than average. Indeed, the average gross distribution for taxpayers with Form 1099-R distributions only was about $6,400, compared with more than $22,000 for taxpayers with distributions appearing on both Form 1099-R and Form 1040.

6. Matching Distribution Amounts

In addition to most taxpayers having distributions reported on both Form 1040 and Form 1099-R, the dollar amounts reported on the two forms—both the amount of gross distributions and the amount of taxable distributions—match for most taxpayers. Overall, after our processing, 85.8 percent of taxpayers with retirement income have gross retirement distribution amounts that match between Form 1040 and Form 1099-R, representing 87.9 percent of gross dollars reported on Form 1040 (Figure 3). Matching rates for taxable retirement distributions are lower (81.7 percent of people and 80.6 percent of dollars), but still substantial.

6.1 Effect of Processing Method on Match Rates

Our processing method improves match rates for both gross distributions and taxable distributions compared to simply summing up the dollar amounts reported on all Form 1099-Rs.

[42] These distributions include the return of excess pension contributions, certain lump sum distributions reported on Form 4972, and certain disability distributions from pensions. See discussion in section 3.

Figure 2

Distributions Reported Only on Form 1099-R Are Typically Smaller than Average

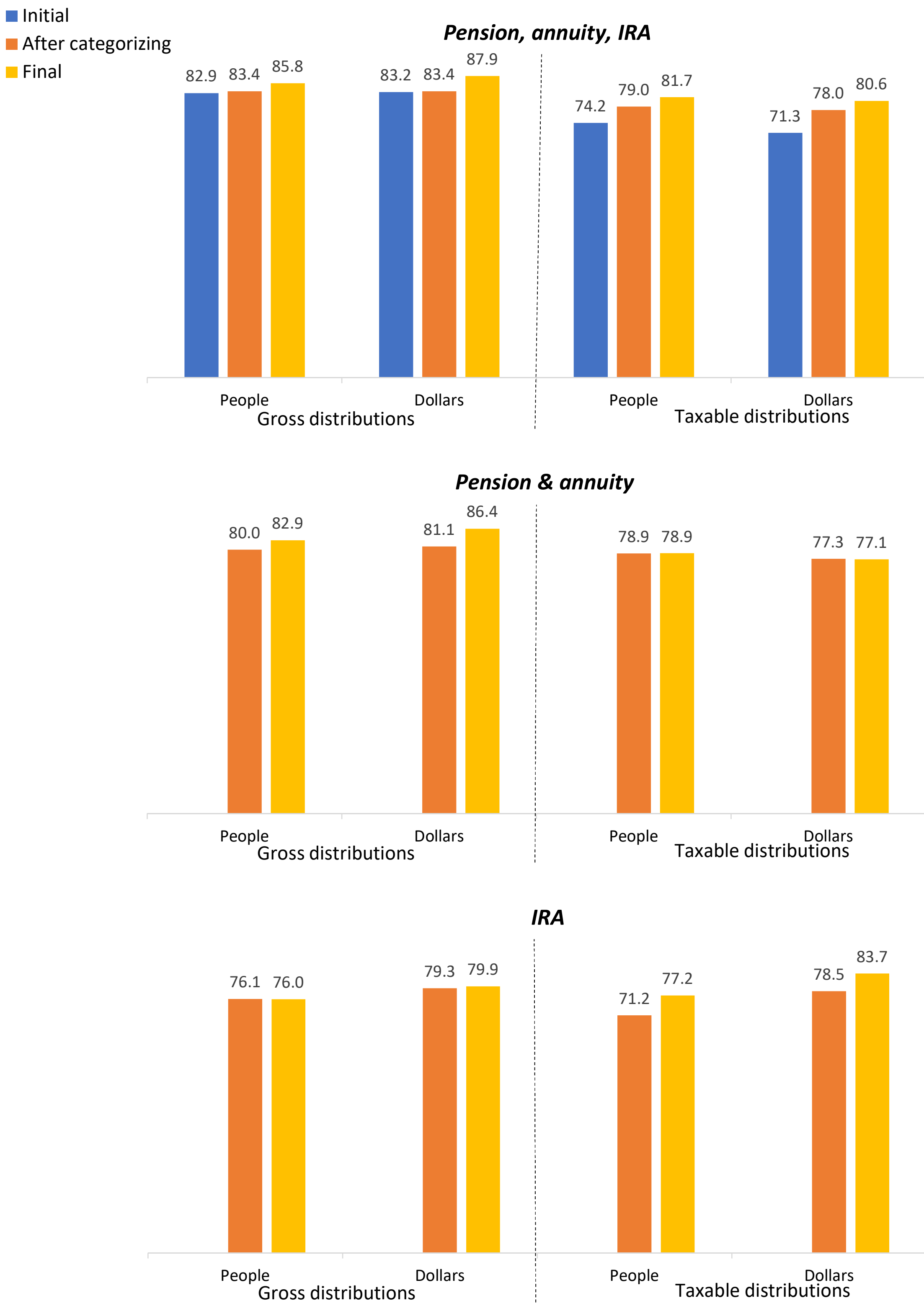
Retirement distributons reported on Form 1040 or Form 1099-R** in 2010, billions of dollars*

* Form 1040 retirement distributions include IRA distributions (reported on line 15) and pension and annuity distributions (reported on line 16). Form 1040 total distributions also include nontaxable rollovers, section 1035 exchanges, Roth distributions, and Roth conversions taxable in 2011 and 2012 that were only reported on Form 1099-R.

** Form 1099-R retirement distributions do not include 1099-R distributions that are not reported on line 15 (IRA distributions) or line 16 (pension and annuity distributions) of Form 1040. These include disability distributions reported on line 7 (wage and salary income), distributions of IRA excess contributions attributable to prior tax years, distributions of pension excess contributions reported on line 7 (for current or prior tax years), and eligible lump-sum distributions reported on Form 4972.

Source: Author's tabulations of IRS data

Figure 3
Match Rates Are Over 80 Percent for Taxpayers with Evidence of Retirement Distributions
Match rates for taxpayers who reported retirement distributions on Form 1040** or who received at least one Form 1099-R, percentage, 2010*



* Share of individuals or dollars where amount of distributions reported on Form 1040 is within $100 of the amount reported on Form 1099-R.
** Form 1040 retirement distributions include IRA distributions (reported on line 15) and pension and annuity distributions (reported on line 16). Form 1040 total distributions also include nontaxable rollovers, section 1035 exchanges, Roth distributions, and Roth conversions taxable in 2011 and 2012 that were only reported on Form 1099-R.
Source: Author's tabulations of IRS data

The process of categorizing amounts on each Form 1099-R before aggregating up to the tax return, which we refer to as *bucketing*, improves taxable distribution match rates noticeably, but improves gross distribution match rates only modestly (Figure 3, top panel). Bucketing is necessary to calculate distribution amounts by detailed code and to calculate IRA amounts separately from other distributions.[43] The increase in taxable match rates is primarily due to adjusting 1099-R amounts using the "taxable amount not determined" checkbox. For gross distributions, bucketing increases match rates for people from 82.9 percent to 83.4 percent and increases dollar match rates from 83.2 percent to 83.4 percent. For taxable distributions, bucketing increases match rates for people from 74.2 percent to 79.0 percent, and increases dollar match rates from 71.3 percent to 78.0 percent.

Our processing method also allows us to calculate separate match rates for the amounts reported on Form 1040 line 15 (IRA distributions) and line 16 (pensions and annuities). These match rates are slightly lower than the combined match rates, suggesting that a few taxpayers either reported the distribution on the wrong line of Form 1040, or that the codes reported on Form 1099-R were incorrect.

For pensions and annuities, the adjustments we make after bucketing increase match rates for gross distributions but have little effect on match rates for taxable distributions (Figure 3, middle panel).[44] The increase in gross match rates is largely attributable to the addition of nontaxable rollovers and section 1035 exchanges reported on Form 1099-R to gross distributions reported on Form 1040.

For IRAs, in contrast, the adjustments we make after bucketing increase match rates for taxable distributions substantially, but have little impact on match rates for gross distributions (Figure

[43] This step includes: categorizing dollar amounts using the detailed distribution codes; adjusting taxable amounts using the "taxable amount not determined" checkbox; removing the return of excess pension contributions from distributions reported on Form 1099-R; and removing lump sum distributions reported on Form 4972 from distributions reported of Form 1099-R.

[44] Match rates for taxable pension and annuity dollars decrease slightly after processing. Much of this decrease is due to indirect rollover estimation, which improves retirement distribution match rates overall, but which may inaccurately split the total between IRA distributions and other distributions.

3, bottom panel). Taxable match rates increase because our processing incorporates information from additional forms that are filed with the Form 1040. In particular, entities issuing distributions generally do not calculate and report taxable IRA distribution amounts on Form 1099-R. Differences between gross and taxable amounts typically need to be reported by the taxpayer (usually on Form 8606).

Match rates are higher (92 percent of people match on gross income, 86 percent of people match on taxable income) for taxpayers with both Form 1040 and Form 1099-R retirement distributions. However, many taxpayers with income from only one form still match because of low distribution amounts. Twenty-three percent of taxpayers with Form 1099-R only and 34 percent of taxpayers with Form 1040 only have $100 or less of taxable retirement income.

6.2 Most Taxpayers Match on Either Gross or Taxable Distribution Amounts

Overall, nearly 90 percent of taxpayers matched on either taxable or gross retirement income, including 48.3 million taxpayers (82 percent) who matched on taxable retirement income and 4.0 million (7 percent) who did not match on taxable income but matched on gross income (Figure 4). Of the remaining 6.8 million taxpayers with retirement income reported on either Form 1040 or who received a Form 1099-R, about half had retirement income reported on both forms and half had it reported on only one of the two forms.

Similarly, about 90 percent of gross retirement distributions were reported on tax returns where either gross or taxable distributions matched (Figure 5). Additionally, about 90 percent of taxable retirement distributions were reported on tax returns where either gross or taxable distributions matched. Most of the remaining distributions were on returns with positive amounts reported on both forms, while only a small fraction of distributions were reported on only one form.

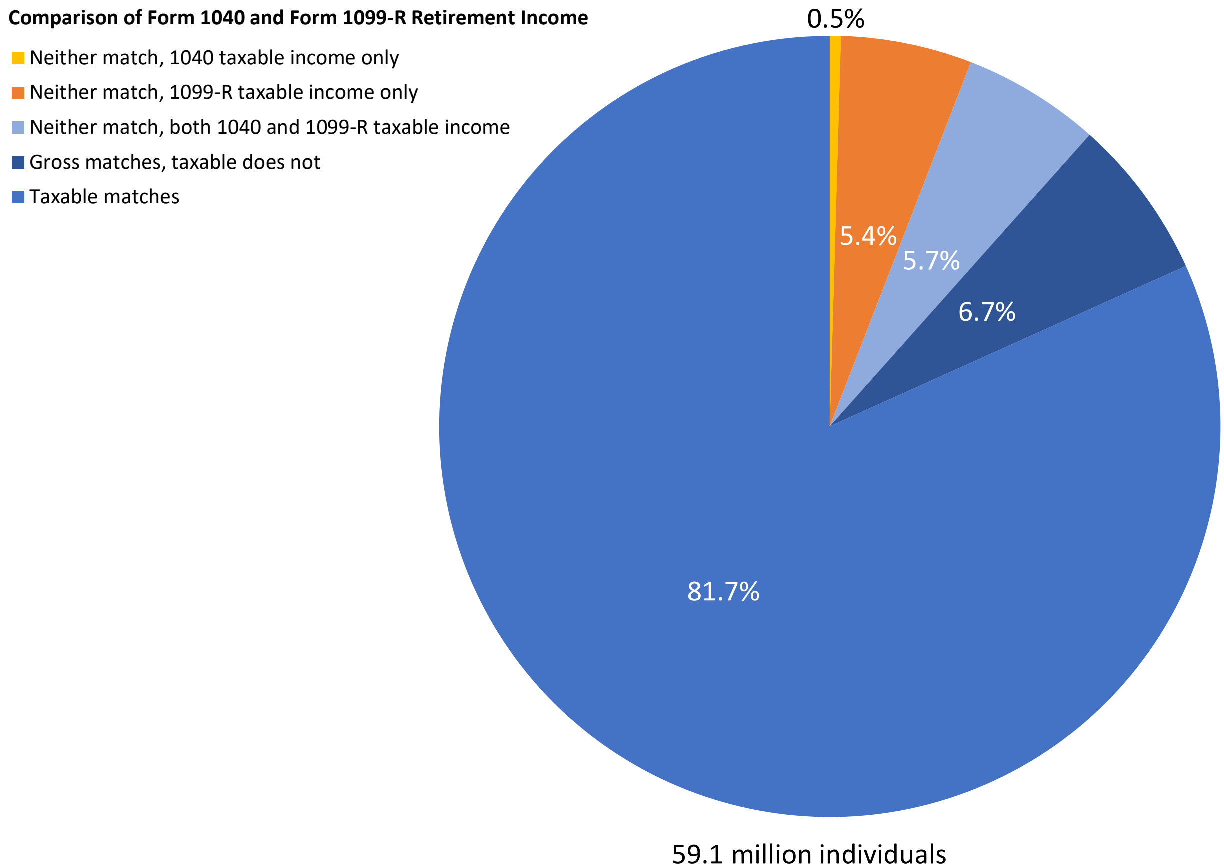
7. Aggregate Results by Code

Of the 142.9 million tax returns filed for tax year 2010, about one-quarter (35.1 million) had retirement distributions reported on Form 1040 (Table 1). Of those who reported a gross distribution, 14 percent involved a transfer from one account to another (i.e., a rollover, conversion, or section 1035 exchange), 31 percent had some amount of nontaxable income that

Figure 4

Taxable Retirement Income Matches for More Than 80 Percent of Taxpayers

Millions of taxpayers who reported retirement distributions on Form 1040 or who received at least one Form 1099-R, 2010*



* Form 1040 retirement distributions include IRA distributions (reported on line 15) and pension and annuity distributions (reported on line 16). Form 1040 total distributions also include nontaxable rollovers, section 1035 exchanges, Roth distributions, and Roth conversions taxable in 2011 and 2012 that were only reported on Form 1099-R.

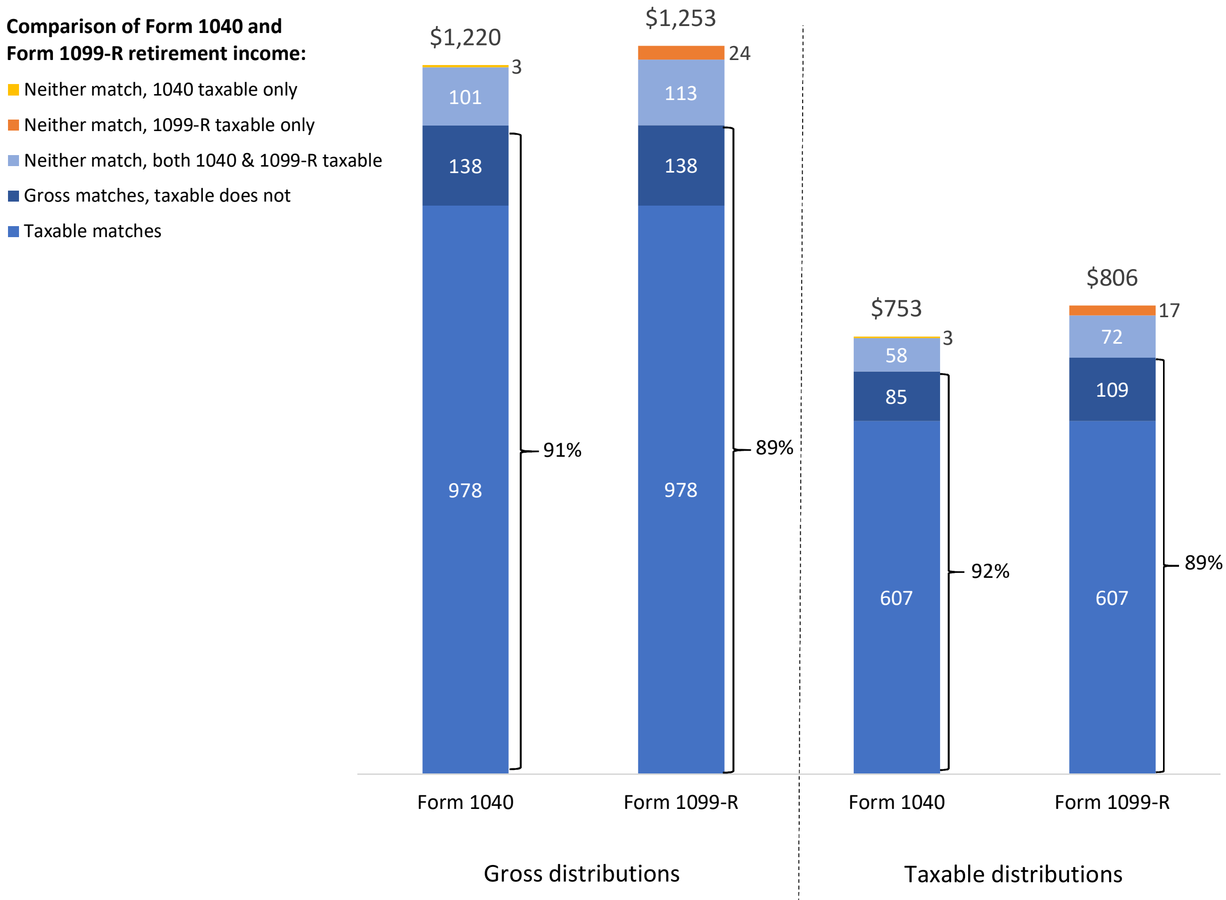
** Individuals who had 1099-R distributions that are not reported on line 15 (IRA distributions) or line 16 (pension and annuity distributions) of Form 1040. These include disability distributions reported on line 7 (wage and salary income), distributions of IRA excess contributions attributable to prior tax years, distributions of pension excess contributions reported on line 7 (for current or prior tax years), and eligible lump-sum distributions reported on Form 4972.

Source: Author's tabulations of IRS data

Figure 5

Returns Where Either Taxable or Gross Amounts Match Account for About 90 Percent of Distributions

Retirement distributons reported on Form 1040 or Form 1099-R** in 2010, billions of dollars*



* Form 1040 retirement distributions include IRA distributions (reported on line 15) and pension and annuity distributions (reported on line 16). Form 1040 total distributions also include nontaxable rollovers, section 1035 exchanges, Roth distributions, and Roth conversions taxable in 2011 and 2012 that were only reported on Form 1099-R.

** Individuals who had 1099-R distributions that are not reported on line 15 (IRA distributions) or line 16 (pension and annuity distributions) of Form 1040. These include disability distributions reported on line 7 (wage and salary income), distributions of IRA excess contributions attributable to prior tax years, distributions of pension excess contributions reported on line 7 (for current or prior tax years), and eligible lump-sum distributions reported on Form 4972.

Source: Author's tabulations of IRS data

was not just transferred to another account, and nine in 10 had some amount of taxable, nontransfer income (i.e., taxable distributions excluding Roth conversions).

Of the $1.2 billion in retirement income distributions reported on Form 1040 for 2010, 30 percent were transfers from one account to another, 9 percent were nontaxable distributions that were not transferred, and 61 percent were taxable, nontransfer distribution amounts.

Most (74 percent) of the taxable, nontransfer distribution amounts were coded as *normal* distributions, typically taken by individuals aged 59½ or older. Another 6 percent were *early, exception*,[45] 6 percent were exempt from penalty because of the death of the owner, and 1 percent were exempt from penalty because of disability. Only 8 percent were coded as *early, no known exception*, which is generally subject to penalty. Similarly, on Form 1040, a penalty amount was reported for about 8 percent of distributions.

Tables 2a–2c report retirement distribution categories by adjusted gross income category.

8. Conclusion

Although reporting requirements for Form 1099-R are different than those for Form 1040 line 15 and line 16, this paper presents a method for processing the data to reconcile the two forms. This processing improves match rates for both gross distributions (from 83 percent of dollars to 88 percent of dollars) and taxable distributions (from 71 percent of dollars to 81 percent of dollars). Our method also allows us to separate pensions and annuities from IRA distributions and to categorize distributions according to their types. Overall, we find that using information returns to supplement data available on Form 1040 can provide a richer understanding for researchers and policymakers, but care must be taken to ensure that the data are interpreted correctly.

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[45] For a description of the types of distributions coded as early, exception, see Brady and Bass (forthcoming).

Table 1
Retirement Distributions by Detailed Category
Thousands of returns and billions of dollars, 2010

	Number of returns (thousands)			Aggregate distributions (billions of dollars)		
	Total	Pension	IRA	Total	Pension	IRA
Number of returns	**142,892**					
Retirement distributions	**35,054**	**29,570**	**13,550**	**1,219.8**	**926.2**	**293.6**
Transfer	***4,759***	***4,143***	***780***	***363.4***	***295.1***	***68.3***
Rollovers	4,069	3,862	270	286.6	268.4	18.2
Direct	*3,901*	*3,821*	*108*	*274.3*	*267.7*	*6.6*
Indirect	*190*	*55*	*162*	*12.3*	*0.7*	*11.6*
Section 1035 exchanges	303	303	0	23.2	23.2	0.0
Roth conversions	559	48	517	53.6	3.5	50.1
Basis	*148*	*0*	*148*	*3.6*	*0.0*	*3.6*
Taxable in 2010	*187*	*6*	*181*	*10.5*	*0.4*	*10.1*
Taxable in 2011	*371*	*41*	*334*	*19.8*	*1.6*	*18.2*
Taxable in 2012	*371*	*41*	*334*	*19.8*	*1.6*	*18.2*
Non-transfer, nontaxable	***10,711***	***9,450***	***1,622***	***114.1***	***73.0***	***41.1***
Nontaxable Roth	623	39	586	5.4	0.1	5.2
Non-Roth basis	7,645	7,401	334	45.8	45.0	0.8
Other	3,144	2,420	758	62.9	27.8	35.1
Qualified charitable distributions / HSA funding	*15*	*0*	*15*	*0.4*	*0.0*	*0.4*
Unidentified nontaxable [1]	*3,132*	*2,420*	*744*	*62.5*	*27.8*	*34.7*
Non-transfer, taxable	***31,861***	***26,592***	***12,384***	***742.3***	***558.1***	***184.2***
Normal	21,699	18,667	8,803	551.2	420.6	130.6
Early, exception	2,386	2,048	378	46.9	42.4	4.5
Early, no known exception	5,854	4,165	1,890	59.8	33.3	26.5
Death	3,621	2,771	1,001	40.8	31.7	9.2
Disability	643	607	37	9.1	8.7	0.5
Recharacterizations / Return of excess contributions	95	73	23	0.2	0.2	0.0
Other[2]	198	198	0	0.8	0.8	0.0
Unidentified taxable[3]	2,885	1,738	1,169	33.5	20.5	13.0
Memo:						
Amounts not reported on lines 15 or 16						
Gross	367	315	53	2.3	2.0	0.3
Taxable	344	300	44	1.4	1.1	0.2

[1]Unidentified nontaxable is the amount of nontaxable distributions reported on Form 1040 to the extent that they exceed nontaxable distributions reported on Form 1099-R.
[2]Other taxable includes charitable gift annuity distributions, the cost of current life insurance protection, and distributions with missing or unidentifiable distribution codes.
[3]Unidentified taxable is the amount of taxable distributions reported on Form 1040 to the extent that they exceed taxable distributions reported on Form 1099-R.
Source: Authors' tabulations of IRS data

Table 2a
Retirement Income by Detailed Category and AGI
Thousands of returns and billions of dollars, 2010

	Number of returns by percentile of AGI *(thousands)*								**Aggregate distributions by percentile of AGI** *(billions of dollars)*							
	No AGI	**0-20**	**20-40**	**40-60**	**60-80**	**80-95**	**95-99**	**99-100**	**No AGI**	**0-20**	**20-40**	**40-60**	**60-80**	**80-95**	**95-99**	**99-100**
Number of returns	**2,554**	**28,070**	**28,068**	**28,068**	**28,066**	**21,050**	**5,613**	**1,403**								
Retirement distributions	**431**	**3,721**	**5,181**	**6,199**	**8,746**	**8,013**	**2,247**	**515**	**13.8**	**35.2**	**76.9**	**131.9**	**268.9**	**394.9**	**195.3**	**102.9**
Transfer	***48***	***176***	***364***	***614***	***1,137***	***1,559***	***650***	***210***	***4.4***	***6.5***	***11.5***	***24.8***	***58.1***	***114.0***	***81.8***	***62.3***
Rollovers	34	140	326	549	1,003	1,361	519	138	2.4	4.5	9.0	20.8	49.9	99.3	66.6	34.1
Section 1035 exchanges	8	28	25	37	81	82	31	13	0.7	1.8	1.4	2.6	5.4	6.1	2.7	2.4
Roth conversions	6	11	21	42	83	183	132	79	1.3	0.2	1.0	1.5	2.7	8.6	12.5	25.8
Basis	*1*	*1*	*3*	*3*	*9*	*37*	*53*	*41*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.5*	*1.4*	*1.5*
Taxable [1]	*6*	*11*	*21*	*41*	*81*	*177*	*126*	*73*	*1.3*	*0.2*	*1.0*	*1.4*	*2.7*	*8.1*	*11.1*	*24.3*
Non-transfer, nontaxable	***149***	***862***	***1,348***	***1,796***	***2,898***	***2,796***	***716***	***146***	***4.0***	***8.1***	***8.9***	***12.2***	***21.2***	***30.3***	***16.4***	***13.1***
Nontaxable Roth	19	49	65	86	168	192	39	5	1.0	0.2	0.2	0.6	1.1	1.5	0.4	0.3
Non-Roth basis	83	574	971	1,239	2,088	2,075	519	96	1.5	3.6	4.7	5.0	9.2	12.0	6.0	3.8
Other[2]	53	275	367	562	834	777	221	56	1.5	4.2	4.0	6.6	10.9	16.8	9.9	9.0
Non-transfer, taxable	***351***	***3,518***	***4,901***	***5,800***	***8,027***	***7,093***	***1,820***	***351***	***5.5***	***20.6***	***56.6***	***94.9***	***189.6***	***250.6***	***97.1***	***27.5***
Normal	250	2,679	3,607	3,884	5,365	4,572	1,126	217	3.6	15.5	43.0	71.7	143.7	187.4	67.7	18.6
Early, exception	24	116	189	401	674	754	194	33	0.4	0.5	1.6	5.1	11.1	18.7	7.5	1.9
Early, no known exception	46	320	652	1,168	1,681	1,583	366	40	0.7	0.8	2.2	6.2	13.7	22.8	11.4	2.1
Death	37	494	655	633	849	684	215	54	0.2	2.2	5.6	6.4	11.0	9.5	4.3	1.6
Disability	6	86	160	121	160	92	17	1	0.1	0.5	1.8	1.8	2.6	1.9	0.5	0.0
Recharacterizations / Return of excess contributions	1	1	4	6	7	24	38	15	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Other[3]	2	15	17	30	47	55	24	9	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2
Unidentified taxable[4]	34	296	409	508	727	679	188	44	0.5	1.0	2.3	3.8	7.3	10.2	5.5	3.0
Memo:																
Amounts not reported on lines 15 or 16																
Gross	5	9	8	15	45	107	120	57	0.0	0.0	0.0	0.1	0.8	0.5	0.5	0.3
Taxable	6	7	8	13	43	95	115	58	0.0	0.0	0.0	0.0	0.2	0.3	0.5	0.3

[1]Taxable Roth conversions include those taxable in 2010, 2011, and/or 2012.
[2]Other nontaxable includes qualified charitable distributions, HSA funding distributions, and unidentified nontaxable distributions. Unidentified nontaxable is the amount of nontaxable distributions reported on Form 1040 to the extent that they exceed nontaxable distributions reported on Form 1099-R.
[3]Other taxable includes charitable gift annuity distributions, the cost of current life insurance protection, and distributions with missing or unidentifiable distribution codes.
[4]Unidentified taxable is the amount of taxable distributions reported on Form 1040 to the extent that they exceed taxable distributions reported on Form 1099-R.
Source: Authors' tabulations of IRS data

Table 2b
Pension and Annuities by Detailed Category and AGI
Thousands of returns and billions of dollars, 2010

	Number of returns by percentile of AGI *(thousands)*								**Aggregate distributions by percentile of AGI** *(billions of dollars)*							
	No AGI	**0-20**	**20-40**	**40-60**	**60-80**	**80-95**	**95-99**	**99-100**	**No AGI**	**0-20**	**20-40**	**40-60**	**60-80**	**80-95**	**95-99**	**99-100**
Number of returns	**2,554**	**28,070**	**28,068**	**28,068**	**28,066**	**21,050**	**5,613**	**1,403**								
Retirement distributions	**313**	**3,036**	**4,489**	**5,350**	**7,461**	**6,758**	**1,795**	**368**	**8.4**	**27.9**	**62.6**	**104.7**	**216.1**	**306.9**	**141.8**	**57.8**
Transfer	***38***	***158***	***330***	***551***	***1,022***	***1,374***	***528***	***143***	***3.0***	***5.7***	***9.9***	***20.4***	***51.8***	***99.7***	***67.4***	***37.3***
Rollovers	29	129	306	518	949	1,301	498	130	2.1	3.8	8.4	17.7	46.2	93.2	64.0	32.9
Section 1035 exchanges	8	28	25	37	81	82	31	13	0.7	1.8	1.4	2.6	5.4	6.1	2.7	2.4
Roth conversions	1	3	1	5	9	15	9	5	0.1	0.0	0.1	0.1	0.2	0.4	0.7	1.9
Basis	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Taxable [1]	*1*	*3*	*1*	*5*	*9*	*15*	*9*	*5*	*0.1*	*0.0*	*0.1*	*0.1*	*0.2*	*0.4*	*0.7*	*1.9*
Non-transfer, nontaxable	***119***	***755***	***1,219***	***1,603***	***2,580***	***2,463***	***601***	***110***	***2.5***	***6.6***	***7.6***	***8.1***	***13.7***	***19.4***	***9.1***	***6.0***
Nontaxable Roth	0	1	5	6	7	17	3	0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Non-Roth basis	80	563	949	1,196	2,024	2,012	488	89	1.4	3.6	4.6	4.9	9.0	11.8	5.9	3.7
Other[2]	41	207	297	451	674	580	144	25	1.0	3.0	2.9	3.2	4.6	7.6	3.2	2.2
Non-transfer, taxable	***247***	***2,842***	***4,213***	***4,940***	***6,792***	***5,876***	***1,430***	***253***	***3.0***	***15.6***	***45.1***	***76.1***	***150.6***	***187.8***	***65.3***	***14.6***
Normal	187	2,092	3,079	3,372	4,758	4,063	949	166	2.0	11.5	33.9	58.1	116.6	143.6	45.8	9.1
Early, exception	16	101	166	359	573	659	153	22	0.2	0.5	1.4	4.8	10.2	17.3	6.7	1.2
Early, no known exception	18	249	516	866	1,169	1,077	244	26	0.2	0.4	1.3	3.7	7.9	12.8	6.2	0.8
Death	28	446	602	517	646	408	105	21	0.1	2.1	5.3	5.5	8.8	6.2	2.6	1.1
Disability	6	82	156	113	153	82	15	1	0.1	0.5	1.8	1.7	2.5	1.7	0.4	0.0
Recharacterizations / Return of excess contributions	0	0	1	2	4	20	32	13	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other[3]	2	15	17	30	47	55	24	9	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2
Unidentified taxable[4]	22	183	247	318	436	389	112	31	0.4	0.6	1.4	2.2	4.5	6.1	3.3	2.1
Memo:																
Amounts not reported on lines 15 or 16																
Gross	4	3	6	11	35	90	111	56	0.0	0.0	0.0	0.1	0.8	0.4	0.5	0.3
Taxable	5	4	6	10	34	79	107	56	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.3

[1]Taxable Roth conversions include those taxable in 2010, 2011, and/or 2012.
[2]Other nontaxable includes qualified charitable distributions, HSA funding distributions, and unidentified nontaxable distributions. Unidentified nontaxable is the amount of nontaxable distributions reported on Form 1040 to the extent that they exceed nontaxable distributions reported on Form 1099-R.
[3]Other taxable includes charitable gift annuity distributions, the cost of current life insurance protection, and distributions with missing or unidentifiable distribution codes.
[4]Unidentified taxable is the amount of taxable distributions reported on Form 1040 to the extent that they exceed taxable distributions reported on Form 1099-R.
Source: Authors' tabulations of IRS data

Table 2c
IRA Distributions by Detailed Category and AGI
Thousands of returns and billions of dollars, 2010

	Number of returns by percentile of AGI (thousands)								Aggregate distributions by percentile of AGI (billions of dollars)							
	No AGI	0-20	20-40	40-60	60-80	80-95	95-99	99-100	No AGI	0-20	20-40	40-60	60-80	80-95	95-99	99-100
Number of returns	**2,554**	**28,070**	**28,068**	**28,068**	**28,066**	**21,050**	**5,613**	**1,403**								
Retirement distributions	**180**	**1,340**	**1,874**	**2,217**	**3,401**	**3,306**	**971**	**260**	**5.4**	**7.3**	**14.4**	**27.2**	**52.8**	**87.9**	**53.4**	**45.1**
Transfer	***11***	***21***	***43***	***78***	***138***	***248***	***157***	***84***	***1.4***	***0.8***	***1.6***	***4.4***	***6.3***	***14.4***	***14.3***	***25.1***
Rollovers	5	13	24	41	64	81	33	9	0.2	0.6	0.7	3.0	3.7	6.2	2.6	1.2
Section 1035 exchanges	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roth conversions	6	9	20	37	74	169	126	76	1.2	0.2	0.9	1.4	2.6	8.2	11.8	23.9
Basis	*1*	*1*	*3*	*3*	*9*	*37*	*53*	*41*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.5*	*1.4*	*1.5*
Taxable [1]	*6*	*9*	*20*	*35*	*72*	*162*	*119*	*71*	*1.2*	*0.2*	*0.9*	*1.4*	*2.5*	*7.7*	*10.4*	*22.4*
Non-transfer, nontaxable	***32***	***126***	***156***	***243***	***406***	***462***	***153***	***44***	***1.5***	***1.5***	***1.3***	***4.0***	***7.6***	***10.8***	***7.2***	***7.1***
Nontaxable Roth	19	49	60	81	161	176	36	5	1.0	0.2	0.2	0.6	1.1	1.4	0.4	0.3
Non-Roth basis	3	11	26	55	90	98	42	9	0.0	0.1	0.0	0.1	0.2	0.2	0.1	0.1
Other[2]	12	72	72	114	169	207	80	32	0.5	1.2	1.1	3.4	6.3	9.2	6.7	6.8
Non-transfer, taxable	***155***	***1,270***	***1,782***	***2,096***	***3,158***	***2,953***	***799***	***172***	***2.5***	***5.0***	***11.5***	***18.8***	***38.9***	***62.8***	***31.9***	***12.9***
Normal	105	1,074	1,474	1,529	2,173	1,875	468	105	1.6	4.1	9.1	13.6	27.1	43.8	21.9	9.5
Early, exception	8	16	25	47	116	111	45	11	0.2	0.0	0.2	0.3	0.9	1.5	0.8	0.7
Early, no known exception	31	74	145	323	563	596	143	16	0.5	0.4	0.9	2.5	5.8	10.0	5.2	1.2
Death	10	53	63	136	238	331	133	38	0.1	0.2	0.3	0.9	2.2	3.3	1.7	0.6
Disability	0	4	4	8	8	10	2	0	0.0	0.0	0.1	0.0	0.1	0.2	0.1	0.0
Recharacterizations / Return of excess contributions	1	1	3	3	3	4	6	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other[3]	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified taxable[4]	12	118	163	190	297	296	78	14	0.1	0.3	0.9	1.5	2.9	4.1	2.2	0.9
Memo:																
Amounts not reported on lines 15 or 16																
Gross	1	5	2	4	11	17	10	2	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Taxable	1	2	2	3	9	16	9	2	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0

[1]Taxable Roth conversions include those taxable in 2010, 2011, and/or 2012.
[2]Other nontaxable includes qualified charitable distributions, HSA funding distributions, and unidentified nontaxable distributions. Unidentified nontaxable is the amount of nontaxable distributions reported on Form 1040 to the extent that they exceed nontaxable distributions reported on Form 1099-R.
[3]Other taxable includes charitable gift annuity distributions, the cost of current life insurance protection, and distributions with missing or unidentifiable distribution codes.
[4]Unidentified taxable is the amount of taxable distributions reported on Form 1040 to the extent that they exceed taxable distributions reported on Form 1099-R.
Source: Authors' tabulations of IRS data

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Appendix: Further Detail on Derivation of Distribution Categories

Figure A.1
Form 1040, 2010

Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	
	8a	**Taxable** interest. Attach Schedule B if required		8a	
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.	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	
If you did not get a W-2, see page 20.	14	Other gains or (losses). Attach Form 4797		14	
	15a	IRA distributions	15a	15b	**b** Taxable amount
	16a	Pensions and annuities	16a	16b	**b** Taxable amount
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
Enclose, but do not attach, any payment. Also, please use **Form 1040-V.**	18	Farm income or (loss). Attach Schedule F		18	
	19	Unemployment compensation		19	
	20a	Social security benefits	20a	20b	**b** Taxable amount
	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	

Source: Internal Revenue Service

Figure A.2
Form 1099-R, 2010

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution $ 2a Taxable amount $	OMB No. 1545-0119 2010 Form 1099-R	**Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.**
		2b Taxable amount not determined ☐	Total distribution ☐	**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.**
PAYER'S federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a) $	4 Federal income tax withheld $	
RECIPIENT'S name		5 Employee contributions /Designated Roth contributions or insurance premiums $	6 Net unrealized appreciation in employer's securities $	
Street address (including apt. no.)		7 Distribution code(s) — IRA/ SEP/ SIMPLE ☐	8 Other $ %	This information is being furnished to the Internal Revenue Service.
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions $	
	1st year of desig. Roth contrib.	10 State tax withheld $ $	11 State/Payer's state no.	12 State distribution $ $
Account number (see instructions)		13 Local tax withheld $ $	14 Name of locality	15 Local distribution $ $

Form **1099-R** Department of the Treasury - Internal Revenue Service

Source: Internal Revenue Service

Table A.1
Form 1099-R Box 7 Codes

Code	Description
1	Early distribution, no known exception
2	Early distribution, exception applies
3	Disability
4*	Death
5	Prohibited transaction
6†	Section 1035 exchange
7*	Normal distribution
8	Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2010
9†	Cost of current life insurance protection
A*†	May be eligible for 10-year tax option
B†	Designated Roth account distribution
C†‡	Qualified distribution from a designated Roth account
D	Excess contributions plus earnings/excess deferrals taxable in 2008
E	Distributions under Employee Plans Compliance Resolution System (EPCRS)
F†	Charitable gift annuity
G	Direct rollover and rollover contribution
H†	Direct rollover of a designated Roth account distribution to a Roth IRA
J†	Early distribution from a Roth IRA
L†	Loans treated as deemed distributions under section 72(p)
N	Recharacterized IRA contribution made for 2010
P	Excess contributions plus earnings/excess deferrals taxable in 2009
Q†	Qualified distribution from a Roth IRA
R	Recharacterized IRA contribution made for 2009
S	Early distribution from a SIMPLE IRA in the first 2 years, no known exception
T†	Roth IRA distribution, exception applies
U†	Dividends distributed from an ESOP under section 404(k)
V†‡	Railroad Retirement Board – Vested dual benefit (windfall)
W†	Charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements
X†‡	Railroad Retirement Board tier 1
Y†‡	Railroad Retirement Board tier 2
Z†‡	Railroad Retirement Board supplemental

*These codes may be eligible for the 10-year tax option.
†These codes cannot be used in combination with the IRA/SEP/SIMPLE checkbox.
‡These codes are not listed in Internal Revenue Service (2010).
Source: Internal Revenue Service

Table A.2

Category	Form 1099-R codes or other source used to identify category
Transfer distributions	
Rollovers	
Direct rollovers	G, H, 4G, 4H, BG
Indirect rollovers	Combination of Forms 1099-R, 1040, and 5498
Section 1035 exchanges	6, 6W*
Roth conversions	
Basis in Roth conversions	Form 8606
Roth conversions taxable in 2010	Form 8606
Roth conversions taxable in 2011	Form 8606
Roth conversions taxable in 2012	Form 8606
Nontransfer, nontaxable distributions	
Nontaxable Roth	Forms 1099-R and 8606
Non-Roth basis	Forms 1099-R and 8606
Other	
Qualified charitable distributions / HSA funding	Form 1040
Unidentified nontaxable	Nontaxable amounts on Form 1040 in excess of nontaxable amounts on Form 1099-R
Nontransfer, taxable distributions	
Normal	7, A, C, L, Q, U, V, X, Y, Z, 7A, BU*
Early, exception applies	2, T, 2B,
Early, no known exception	1, B, J, S, 1B, 1L, BL*
Death	4, 4A, 4L, 4B*
Disability	3
Other	9, F
Recharacterizations / Return of excess contributions	If IRA: [D, E, P†, 1P†, 4P†, BP†, JP†, 1D*, 2D*, 2P*, 4D*, BD*], N, 5*
Unidentified taxable	Taxable amounts on Form 1040 in excess of taxable amounts on Form 1099-R
Memo:	
Amounts not reported on 2010 Form 1040 line 15 or line 16	If pension: [D, E, P, 1P, 4P, BP, JP, 1D*, 2D*, 2P*, 4D*, BD*], 8, 18, 28, 8B, 8J, 48*, R, W, Form 4972, some disability distributions, and some return of excess contributions
Penalized distributions	Forms 1040 and 5329

Note: Certain invalid code combinations also appeared in the 2010 INSOLE. In cases where conflicting code combinations appeared, categories were assigned using the following hierarchy: (1) *direct rollover* codes combined with any other codes were classified as direct rollovers, (2) *death* , *excess contribution* , or *recharacterization* codes combined with any non–direct rollover codes were classified with their respective categories, and 3) *early, exception* and *early, no known exception* codes combined with any other codes not in (1) or (2) were classified with their respective categories.
*Although these are valid code combinations, they did not appear in the 2010 INSOLE.
†These distributions should only be reported on Form 1040 line 15 if distributed by October 15th.