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Retirement Tax Form Icons

A multitude of various IRS documents with an infinite combination of letters and numbers drift through the retirement galaxy. At times it can be difficult to tell if a discussion is about taxes or Star Wars droids. C-3PO? SSA-44? K-2SO? (Hint: Two of those are robot names.)

As some of the robots have become headliners in the movie saga, so too have certain tax forms become icons of the retirement world. Yes, we will run into an occasional BB-8 or 590-A, but it is the R2-D2s and 1099-Rs that we must be familiar with to understand the full story.

Form 1099-R

Form 1099-R, "Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.," is the A-list-celebrity retirement tax document. It is sent to recipients of all IRA and Roth IRA distributions, but not for direct IRA-to-IRA transfers. The form is also used for all employer plan distributions, whether they go to the plan participant or directly to another retirement plan or IRA.

A copy of the form is provided to the IRS, so it is imperative that it be accurate and included properly on the tax return. Form 1099-R must be issued by January 31 of the year following the distribution.

Since Form 1099-R covers multiple types of distributions (disability, early withdrawals, net unrealized appreciation, prohibited transactions, excess contribution withdrawals, etc.) and includes a multitude of different possible codes, it must be thoroughly inspected upon receipt. Errors are not uncommon. Be sure it is filled out correctly, reflecting the transactions that were actually completed.

For those who do qualified charitable distributions (QCDs) or take coronavirus-related distributions (CRDs), be aware that although the amount of these distributions will be reported on Form 1099-R, there is no 1099-R code signifying either. As such, QCDs can easily be missed on a tax return, resulting in an erroneous taxable IRA distribution. It is up to the taxpayer to properly identify a QCD or a CRD.

Form 5498

The "partner form" to 1099-R is Form 5498, "IRA Contribution Information." While the 1099-R indicates when IRA and work-plan dollars have been distributed, Form 5498 details when funds have been rolled over and when new monies have been contributed to an IRA, Roth IRA, SEP IRA and/or SIMPLE IRA plan. (This includes recharacterized contributions.)

Form 5498 also reveals to the IRS which IRA owners are taking required

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