

## *Frequently Asked Annuity Tax Questions*

**Please Note:** By law, insurers may not offer tax or legal advice. Based on your particular circumstances and objectives, you should seek advice from a qualified and duly-licensed independent tax or legal adviser.

### **Why 1099 tax forms?**

#### **Q. Why am I receiving a 1099 tax form?**

A. The IRS requires businesses that pay any “person” dividends, pensions, retirement pay or other distributions, to report these transactions to both the person and the IRS. These forms also allow for checks and balances between the companies reporting of distributions and what is reportable to or by the IRS.

### **1099's**

#### **Q. When will my 1099 be mailed?**

A. 1099 forms will be mailed out by January 31<sup>st</sup>. Please allow 10 mailing days before requesting a duplicate.

#### **Q. I just received a 1099 form, what do I do with it?**

A. Clients must report taxes on the amount entered in Box 2A of the 1099-R form or box 1 of the 1099-INT form. The form should be provided to the IRS when filing your taxes. If your policy is an IRA or SEP, the taxable portion of Box 1 must be reported.

#### **Q. I did a 1035 Exchange or a Direct Rollover that is not taxable, why am I receiving a 1099?**

A. Although it may not be a taxable event, it is reportable. The 1099 will show a code 6 or G in Box 7, which means 1035 Exchange or Direct Rollover. Box 2A will show no taxable amount.

#### **Q. I transferred my IRA to another IRA or my 403B to another 403B, where is my 1099?**

A. 1099's are not required for like to like transfers of assets.

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**Q. I received a 1099 for a loan default. Can I pay the loan off so that I don't have to pay taxes?**

A. No, paying off a loan, once deemed, will not avoid taxes.

**Q. My 1099 shows a code 1 in Box 7 which indicates an early withdrawal penalty, but I'm disabled, this should show a code 2 which indicates an exception to the early withdrawal penalty.**

A. You will need to provide proof to the IRS that you are disabled under the guidelines of the Social Security Administration for this year. See your tax advisor if you need assistance. For future tax years, you will need to provide proof to the company in order for code 2 to be applicable.

**Q. I received a check as a payment for a death benefit, why am I receiving a 1099?**

A. The 1099 will show a code 4 in Box 7 which indicates a death benefit. The person who received the death benefit is responsible for taxes on the amount shown in Box 2A. If your policy is an IRA/SEP, the taxable amount portion on Box 1 must be reported.

### **Fair Market Value Letters**

**Q. I received a letter telling me the value of my IRA contract. Why did I receive this letter?**

A. We are required to send Fair Market Value letters to all IRA contract holders with the December 31<sup>st</sup> value each year. The IRS also gets a copy of this value.

**Q. Why doesn't my Fair Market Value letter match the value on my 5498?**

A. There may have been some contributions that took place after the mailing of this form or could have been added in the prior year's contributions. If you think either of these might be the case please feel free to contact our Customer Service Center.

### **Why 5498 tax forms?**

**Q. Why am I receiving this 5498 tax forms?**

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A. The (IRS) requires businesses that receive contributions for Annuities to report these transactions to both the person and the IRS. These forms also allow for checks and balances between the companies reporting of distributions and what is reportable to or by the IRS.

### **5498's**

#### **Q. When will the form 5498 be mailed?**

A. 5498 forms will be mailed out after April 15<sup>th</sup> since you have until April 15<sup>th</sup> to make a deposit for the 2009 tax year. Please allow 10 mailing days before requesting a duplicate. Taxes are required to be filed by midnight on April 15<sup>th</sup>, therefore, **"You do not need to include a form 5498 when you file."**

#### **Q. Why are the contributions that I paid this year, for last tax year not reflected on this form?**

A. It may not have been clearly identified when it was received and was applied to the current year. If that is a possibility, please feel free to contact our Customer Service Center.

*\* \* Note: Please understand that any over contributions will be reported to the Internal Revenue Service and may be subject to IRS penalties. \* \**

### **W-9**

#### **Q. Why did I receive a W-9 form?**

A. The name and social security number we have does not match the IRS record. The W-9 is the IRS form that you need to complete so that we can verify the correct information and update your records.

### **IRA or SEP Box 2A**

#### **Q. If you have an IRA or SEP policy, please note the changes for this year regarding Box 2A.**

A. The new IRS requirements for the 2009 tax year are for box 2A, taxable amount must be blank, and for box 2B, taxable amount not determined must be checked. Since non-deductible funds can be placed into an IRA or SEP, the contract owner is responsible for the appropriate reporting on their 1040 form. Contract owners cannot rely upon or use this information for the purposes of avoiding any tax or tax penalty that may be imposed by the Internal Revenue code or other applicable law. By law, insurers may not offer tax or legal advice. Based on your

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