

Take a Closer Look at Form 1099-R (Weekly Tax Tip for March 8, 2010)

Forms 1099-R — they arrive in your mailbox this time of year, taxing reminders of your retirement account decisions during 2009. Right there, in box one, is the total amount you withdrew from your pension, annuity, IRA, or other retirement plan.

But before you enter that figure as income on your federal tax return, it may pay to review your reasons for the withdrawal, especially in the case of IRA distributions.

For instance, if you took money from a traditional IRA in which you have basis, the taxable portion will be less than the gross distribution reported on Form 1099-R. You account for the difference on Form 8606, "Nondeductible IRAs."

Qualified charitable contributions made directly from your IRA may also reduce the taxable amount of the distributions shown on Form 1099-R. In this case, you indicate the reason for the difference on the first page of Form 1040 with the notation "QCD."

Did you roll part or all of the distribution you received into another qualified IRA? As long as you made only one transfer during the past twelve months, and did so within the statutory 60-day time period, the amount rolled over is tax-free. Notify the IRS that you qualify for this exception by entering "Rollover" on page one of Form 1040.

Other IRA distributions reported on Form 1099-R may require additional action during 2010. For example, you may want to "undo" last year's Roth conversion.

The tax rules governing retirement account withdrawals are complex. Contact our office for any assistance you need.