

## Income – Retirement Income

As an AARP Foundation Tax-Aide Counselor, this lesson shows you the different types of retirement income and the forms used to report them in TaxSlayer and on Form 1040. Time and emphasis should be placed on this module. A majority of Tax-Aide taxpayers have retirement income.

### Learning Objectives

- Identify how retirement income is reported to the taxpayer using the Form 1099-R series
- Identify differences among:
  - Traditional IRAs and Roth IRAs
  - Pensions and annuities
  - Before-tax and after-tax employee contributions
- Calculate the taxable portion of different types of retirement income
- Determine how to report retirement income on the tax return
  - How to handle rollovers
  - How to use the “simplified method”
  - Disability pension income
  - Retired Public Safety Officers
- Determine when an adjustment to withholding should be made

#### Resources:

Volunteer Training Guide – Pub 4491

Volunteer Resource Guide – Pub 4012

[Publication 17, Your Federal Income Tax \(For Individuals\)](#)

Bogart’s [Annuity/Pension Exclusion Calculator](#) (Simplified Method)

#### Feedback:

Please email: [selfstudy@aarpfdntaxaide.org](mailto:selfstudy@aarpfdntaxaide.org).

Appreciate suggestions and comments.

### Getting Started:



Study the associated IRS VITA/TCE Training Guide Chapter 12.



Use the Volunteer Resource Guide, Tab D-30 through D-40 to input Form 1099-R

### Hints from NTTC Modifications to the IRS Training Guide

#### Taxable portion of IRA income

##### **Form 8606 Parts I and II are in scope for Tax-Aide**

**Part I** tracks the IRA owner's basis in their IRA – basis is created when less than the full amount of the annual contribution is deductible. This should not be confused with an excess contribution, which is potentially subject to an additional 6% tax. All the individual's traditional IRAs should be aggregated on Form 8606 except inherited IRAs. Basis in inherited IRAs is kept separate and may require a second Form 8606 to be filed. A surviving spouse who is the beneficiary of their deceased spouse's IRA has options, which include taking the inherited as their own. If they do so, it is no longer treated as an inherited IRA. See Pub 590-B.

**Part II** uses the information from Part I to determine the portion of a Roth conversion that is taxable.

**Caution:** state rules may differ.

#### **Roth IRA distributions**

Clarify that the 5-year rule for Roth IRA distributions applies to each Roth conversion. See Pub 590-B.

#### **Distribution Codes J or T**

Clarify that if Form 1099-R, box 7, code J or T is in error and it is a qualified Roth distribution, it is in scope for Tax-Aide.

#### **Missed required minimum distribution**

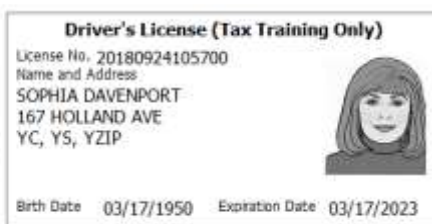
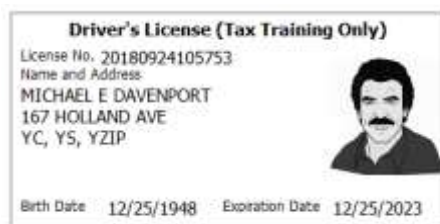
Taxpayers can request a waiver of the minimum distribution addition to tax using Form 5329, Part IX, which is in scope for Tax-Aide. See the Other Taxes lesson for more information.

# Income – Retirement Income

## Individual Retirement Arrangements

### Practice Lab

### Davenport Scenario



- Michael and Sophia are married and will file Married Filing Jointly, no dependents
- Both have Minimum Essential Coverage through Medicare
- Asked to use the Standard Deduction
- Want their refund mailed to them

<input type="checkbox"/> CORRECTED (if checked)		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		
PAYER'S name, address, city, state, ZIP code UNITED FINANCIAL SERVICES PO BOX 3478 INDIANAPOLIS IN 46204		1 Gross distribution \$13,567.00	2018 Form 1099-R	
PAYER'S Federal identification number 97-6123456		2a Taxable amount \$13,567.00		
RECIPIENT'S name, address, city, state, ZIP code MICHAEL E DAVENPORT 167 HOLLAND AVE YC, YS, YZIP		2b Taxable amount not determined. <input type="checkbox"/>	Total Distribution <input type="checkbox"/>	
RECIPIENT'S identification number 014-00-7012	3 Capital gain (included in box 2a).	4 Federal income tax withheld	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.  This information is being furnished to the Internal Revenue Service	
5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities	7 Distribution Code(s) 7		8 Other %
9a Your percentage of total distribution %	9b Total Employee Contributions			
10. Amount allocable to IRR within 5 years	11. 1st year of desig. Roth contrib.	12. State tax withheld		13. State/Payer's state no.
Account number (see instructions)		14. State Distribution	15. Local tax withheld	16. Name of Locality
Form 1099-R		17. Local Distribution		

## Income – Retirement Income

Input the United Financial Services Form 1099-R

- What does the Distribution Code in Box 7 on this form indicate? \_\_\_\_\_

Look at the Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_
- What are the Other Taxes on page 2? \_\_\_\_\_

Find answers in the file: *Answers to Practice Lab Self-Study Exercises*  
in the Self-Study 2018>H. Answers, etc. Module.

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## Income – Retirement Income

### Examine the Janice Bryant Form 1099-R:

<input type="checkbox"/> CORRECTED (if checked)		<b>2018</b> <b>Form 1099-R</b>		<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
PAYER'S name, address, city, state, ZIP code TEACHERS FEDERAL CREDIT UNION 174 WEST PIKE RD YC, YS, YZIP		1 Gross distribution \$4,256.36	2a Taxable amount \$4,256.36	
PAYER'S Federal identification number 35-2234567		2b Taxable amount not determined. <input type="checkbox"/>	Total Distribution <input checked="" type="checkbox"/>	
RECIPIENT'S identification number 015-00-0000		3 Capital gain (included in box 2a).	4 Federal income tax withheld \$425.00	
RECIPIENT'S name, address, city, state, ZIP code JANICE B BRYANT 8705 SOMERSBY WAY YC, YS, YZIP		5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities	
		7. Distribution Code(s) 1	IRA/SEP/SIMPLE <input checked="" type="checkbox"/>	8 Other %
		9a Your percentage of total distribution %	9b Total Employee Contributions	
10. Amount allocable to IRR within 5 years	11. 1st year of desig. Roth contrib.	12. State tax withheld	13. State/Payer's state no.	14. State Distribution
Account number (see instructions)		15. Local tax withheld	16. Name of Locality	17. Local Distribution
Form <b>1099-R</b>				

Specifically look and note:

- Box 7 Distribution Code is \_\_\_\_\_
- Box 7 IRA/SEP/Simple \_\_\_\_\_

Find Form 1099-R Box 7 Distribution Codes in the Volunteer Resource Guide Pub 4012 Tab D

- What does the Distribution Code in Box 7 on this form indicate? \_\_\_\_\_

## Income – Retirement Income

### Practice Lab

Begin a new return in TaxSlayer using the Evans/Bryant scenario and input the Form 1099-R

### Evans/Bryant Scenario



- Carl and Janice are married and file Married Filing Jointly with no dependents
- Both have Minimum Essential Coverage through Janice's family plan from work
- Use the Standard Deduction
- Want their refund mailed to them

Input the Teacher's Federal Credit Union Form 1099-R belonging to Janice Bryant

After clicking **Continue** on TaxSlayer Form 1099-R page, read and follow popup instructions

Look at Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_
- What are the Other Taxes on page 2? \_\_\_\_\_

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

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## Income – Retirement Income

### Pension Distribution Rollovers (into an IRA)

<input type="checkbox"/> CORRECTED (if checked)		<div>1 Gross distribution</div> <div>\$234,975.00</div>		<div>2018</div> <div>Form 1099-R</div>	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S name, address, city, state, ZIP code YALE BANK AND TRUST CO TRUSTEE JEFFERSON CO PENSION FUND PO BOX 1674 CHICAGO IL 60601		<div>2a Taxable amount</div> <div>2b Taxable amount not determined. <input type="checkbox"/></div> <div>Total Distribution <input checked="" type="checkbox"/></div>			
PAYER'S Federal identification number 27-2123456	RECIPIENT'S identification number 015-00-7113	<div>3 Capital gain (included in box 2a).</div>	<div>4 Federal income tax withheld</div>	<div>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.</div> <div>This information is being furnished to the Internal Revenue Service</div>	
RECIPIENT'S name, address, city, state, ZIP code CARL R EVANS 8705 SOMERSBY AVE YC, YS, YZIP		<div>5 Employee contributions /Designated Roth contributions or insurance premiums</div>	<div>6 Net unrealized appreciation in employer's securities</div>		
<div>7. Distribution Code(s)</div> <div>G</div>		<div>IRA/SEP/SIMPLE</div> <div><input type="checkbox"/></div>	<div>8 Other</div> <div>%</div>		
<div>9a Your percentage of total distribution</div> <div>%</div>		<div>9b Total Employee Contributions</div>			
<div>10. Amount allocable to IRR within 5 years</div>	<div>11. 1st year of design. Roth contrib.</div>	<div>12. State tax withheld</div>	<div>13. State/Payer's state no.</div>	<div>14. State Distribution</div>	
<div>Account number (see instructions)</div>		<div>15. Local tax withheld</div>	<div>16. Name of Locality</div>	<div>17. Local Distribution</div>	
Form 1099-R					

Review and answer:

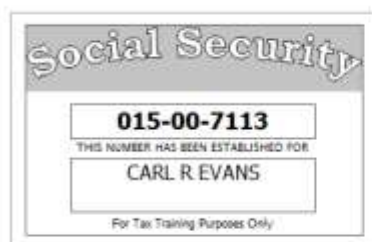
- Box 7: Distribution Code is \_\_\_\_
- IRA/SEP/Simple \_\_\_\_

Find Form 1099-R Box 7 Distribution Codes in the Volunteer Resource Guide Pub 4012 Tab D.

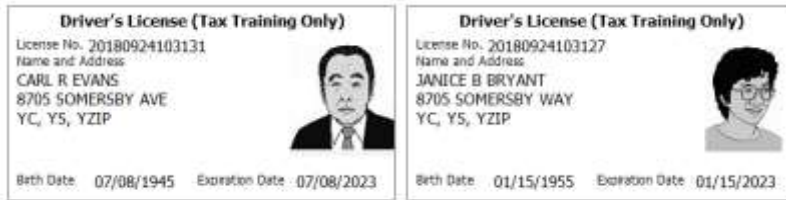
- What does the Distribution Code in Box 7 indicate? \_\_\_\_\_

#### Practice Lab

Begin a new return for the Evans/Bryant using the following information



## Income – Retirement Income



- Carl and Janice are married and file Married Filing Jointly with no dependents
- Both have Minimum Essential Coverage through Janice's family plan from work
- Use the Standard Deduction
- Want their refund mailed to them

Input the Form 1099-R

Follow the Rollover instruction toward the bottom of the Form 1099-R

Look at the Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_
- What are the Other Taxes on page 2? \_\_\_\_\_

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

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### How to Calculate the Taxable Portion of the Distribution for Box 2a

If the payer did not include the taxable amount on Form 1099-R, CSA- or CSF-1099-R, or if taxpayers have Form RRB 1099-R, you will need to compute the taxable portion of the distribution. Study the Pub 4491 guidance concerning "before-tax" and "after-tax" employee contributions to retirement accounts.

## Income – Retirement Income

### Partially Taxable Pensions and Annuities

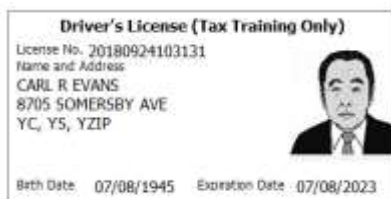
As a learning tool, open and use the Bogart created [Annuity/Pension Exclusion Calculator](#) (Simplified Method):

- Use the embedded [Video tour](#) **OR**
- Follow the lines and practice inputting information into the yellow boxes
- then click: [Click here to Calculate](#)



#### Practice Lab

Begin a new return for the Evans/Bryant using the following information



- Carl and Janice are married and file Married Filing Jointly with no dependents
- Both have Minimum Essential Coverage through Janice's family plan from work
- Use the Standard Deduction
- Want their refund mailed to them

Carl presents you with this Form 1099-R. He started receiving his pension on January 1, 2014 and did not select the joint and survivor option.

## Income – Retirement Income

<input type="checkbox"/> CORRECTED (if checked)		<b>2018</b> Form 1099-R		<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>	
PAYER'S name, address, city, state, ZIP code ALPINE PENSION FUND 7588 PEACHTREE ST ATLANTA GA 30301		1 Gross distribution <div style="text-align: right;">\$12,743.00</div>		2b Taxable amount not determined. <input checked="" type="checkbox"/> <div style="float: right;">Total Distribution <input type="checkbox"/></div>	
		2a Taxable amount			
PAYER'S Federal identification number <div style="text-align: center;">94-1123456</div>	RECIPIENT'S identification number <div style="text-align: center;">015-00-7120</div>	3 Capital gain (included in box 2a).	4 Federal income tax withheld <div style="text-align: right;">\$1,274.00</div>		
RECIPIENT'S name, address, city, state, ZIP code CARL R EVANS 8705 SOMERSBY AVE YC, YS, YZIP		5 Employee contributions /Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
		7.Distribution Code(s) <div style="text-align: center;">7</div>	IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other <div style="text-align: right;">%</div>	
		9a Your percentage of total distribution <div style="text-align: right;">%</div>		9b Total Employee Contributions <div style="text-align: right;">\$7,985.00</div>	
10. Amount allocable to IRR within 5 years	11. 1st year of desig. Roth contrib.	12. State tax withheld	13. State/Payer's state no.	14. State Distribution	
Account number (see instructions)		15. Local tax withheld	16. Name of Locality	17. Local Distribution	
Form <b>1099-R</b>					

**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.

This information is being furnished to the Internal Revenue Service

### Input the Form 1099-R

- Use Bogart's [Annuity/Pension Exclusion Calculator](#) (Simplified Method) to calculate the input for Box 2a
  - Annuity start date 1/1/2014
  - Annuitant's birthdate 7/8/1045
  - Survivor annuity option not chosen
  - Gross distribution Box 1 Form 1099-R below
  - Total annuity contributions Box 9b Form 1099-R below
- *Optional:* Use TaxSlayer Simplified Method calculator

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

## Income – Retirement Income

### 1099-R Information

1 Gross Distribution \*

\$ 12743

2a Taxable Amount

\$

Do you need to calculate your taxable amount?

[Click here for options.](#)

TaxSlayer  
Simplified  
Method  
Calculator

### Annuity/Pension Exclusion Calculator

(version 10.16, 6/14/2018)

[Video tour](#)

[Clear and reset calculator](#)

Taxpayer's name and pension type for tax year 2018 ▼		Carl Evans	
		<input type="checkbox"/> Check if a public safety officer pension ? <input type="checkbox"/> Check if a disability pension ?	
		Enter dates as MM/DD/YYYY	Age at annuity start
Annuity start date		01/01/2014	
Annuitant's birthdate	<input type="checkbox"/> Died in 2018	07/08/1945	68
Spouse's birthdate			Not used
Combined age for survivor annuity	(For joint or survivor annuity)		Not used
Gross distribution ( <input type="checkbox"/> Check if RRB1099-R)		12743	
Total annuity contributions		7985	
Exclusion months in 1st year		12	
Total months to be excluded		210	
Monthly exclusion		38.02	
First year exclusion		456	
Exclusion for remaining years		456	
Final year exclusion (2031)		233	

Enter taxpayer data in yellow rows, then ...

[Click here to Calculate](#)

[Hide TS input](#)

[Print the table](#)

Federal Section > Income > IRA/Pension Distributions/1099-R or RRB-1099-R:

Form 1099-R	Simplified General Rule Worksheet
1 Gross Distribution	Gross distribution amount (from 1099-R)
12743	12743
2a Taxable Amount	Plan cost at annuity start date
12287	7985
9b Total employee contributions	Starting date of annuity
7985	01/01/2014
	<input type="checkbox"/> Check here if this is a Joint or Survivor Annuity
	Death benefit exclusion
	0
	Age of recipient at start date
	68
	Number of months paid in 2018
	12
	Amounts previously recovered
	1824

## Income – Retirement Income

Form 1099-R calculations are in the bottom, left hand box. Enter this information in the taxpayer's Form 1099-R. The Simplified General Rule Worksheet is provided. Many sites print this table and give to taxpayers for their records. Encourage taxpayers to bring the information along with their tax return the following year.

Review and answer:

- Box 2a taxable amount Form 1099-R: \_\_\_\_\_

Look at the Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_
- What are the Other Taxes on page 2? \_\_\_\_\_

### TIP: Retired Public Safety Officers (PSO)

Eligible public safety officers can exclude from income distributions of up to \$3,000 made directly from a government retirement plan to the provider of accident, health, or long-term disability insurance. Refer to the Volunteer Resource Guide Pub 4012, Tab for TaxSlayer guidance.

**Hint:** When calculating the taxable retirement income, subtract the PSO exclusion before applying the Simplified Method. Bogart calculator will do this calculation for you:

Taxpayer's name and pension type for tax year 2017		<input checked="" type="checkbox"/> Check if a public safety officer pension ? <input type="checkbox"/> Check if a disability pension ?	
		Enter dates as MM/DD/YYYY	Age at annuity start
Annuity start date			
Annuitant's birthdate	<input type="checkbox"/> Died in 2017		
Spouse's birthdate		(N/A for annuity before 1998)	
Combined age for survivor annuity			Not used
Gross distribution ( <input type="checkbox"/> Check if RRB1099-R)			
Total annuity contributions			
Annual cost of insurance to exclude			
Exclusion months in 1st year			
Total months to be excluded			
Monthly exclusion			

## Income – Retirement Income

### Form 1099-R from the Office of Personal Management: James Miller

James retired in 2016 after 33 years as an FBI agent. OPM reports his taxable amount in Box 2a.

PAID BY		STATEMENT OF ANNUITY PAID		2018	
OFFICE OF PERSONNEL MANAGEMENT RETIREMENT SERVICES PROGRAM P. O. BOX 45 BOYERS, PA 16017-0045		Copy B - File with Federal tax return		OMB No. 1545-0119 Form: 1099R Distribution From Pensions, Annuities Retirement or Profit- Sharing Plans, IRA's, Insurance Contracts, etc.	
PAYER's Federal Identification 16-5123456	Recipient's ID No. (Annuitant) 303-00-7000	Account number (Retirement Claim) CSA 4571256		1. Gross distribution \$25,864.00	
5. Employee Contributions/ Designed ROTH Contributions or Insurance Premiums \$3,275.00	PAID TO → JAMES CARLTON MILLER 10250 WILDER RD YC YS YZIP		2a. Taxable amount \$24,208.00		
7. Distribution Code(s) 7-NONDISABILITY			4. Federal Income Tax Withheld \$1,295.00		
9b. Total Employee Contributions \$49,872.00			State 1	10. State Income Tax Withheld	
		State 2	11. State Income Tax Withheld		

Since Form 1099-R Box 2a shows the taxable amount, the simplified method is not necessary.

#### Practice Lab

Input the Form 1099-R as "Key What you See". Use the Volunteer Resource Guide Pub 4012 Tad D for guidance with Forms CSA and CSF.

<b>social Security</b>
<b>303-00-7000</b>
THIS NUMBER HAS BEEN ESTABLISHED FOR
<b>JAMES CARLTON MILLER</b>
For Tax Training Purposes Only

<b>Driver's License (Tax Training Only)</b>	
License No. 20180924172632	
Name and Address JAMES CARLTON MILLER 10250 WILDER RD YC YS YZIP	
Birth Date	08/25/1955
Expiration Date	08/25/2023

- James is single
- Has health insurance that meets MEC
- Asked to use the Standard Deduction
- Wants his refund mailed to him

## Income – Retirement Income

Input the Form 1099-R

- Follow the Form CSA 1099 instruction found in Volunteer Resource Guide Pub 4012, Tab D

Look at the Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

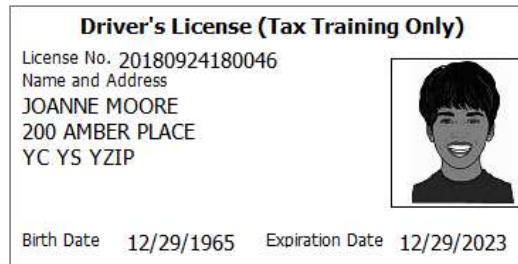
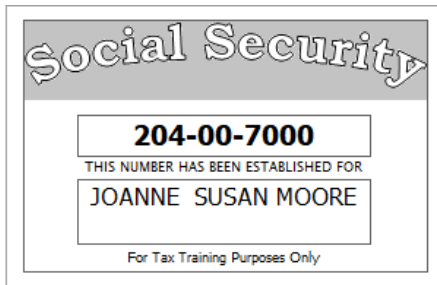
### Form 1099-R from the Office of Personal Management: Joanne Moore

Joanne was widowed in April 2016. Her husband was a **federal employee at the time of his death**, having worked for 30 years with the federal government. Joanne was able to start drawing his joint/survivor annuity on January 1, 2017. Note since her husband never started drawing his pension, the **simplified method is based on her birthday alone**.

<b>PAID BY</b>		OFFICE OF PERSONNEL MANAGEMENT RETIREMENT SERVICES PROGRAM P. O. BOX 45 BOYERS, PA 16017-0045		<b>STATEMENT OF SURVIVOR ANNUITY PAID</b> Copy B - File with Federal tax return		<b>2018</b>		OMB No. 1545-0119 Form: 1099R Distribution From Pensions, Annuities Retirement or Profit- Sharing Plans, IRA's, Insurance Contracts, etc.	
PAYER's Federal Identification 16-5123456		Recipient's ID No. (Survivor) 204-00-7000		Account number (Retirement Claim No.) CSA 2916189		1. Gross distribution \$18,985.00			
5. Employee Contributions/ Designed ROTH Contributions or Insurance Premiums*		<b>PAID TO</b> → JOANNE MOORE 200 AMBER PLACE YC YS YZIP				2a. Taxable amount UNKNOWN			
7. Distribution Code(s) 4-DEATH BENEFIT						4. Federal Income Tax Withheld \$1,300.00			
9b. Total Employee Contributions \$37,360.00						State 1 YS 10. State Income Tax Withheld \$550.00			
						State 2 11. State Income Tax Withheld			

**OPM FAQ:** If 1099R Statement Box 2a for the Taxable Amount is marked as 'Unknown'; this means that OPM did not calculate the tax-free portion of your annuity.

## Income – Retirement Income



- Joanne is single
- Has Minimum Essential Coverage through work
- Standard Deduction
- Want her refund mailed to her

### Practice Lab

Input the Form 1099-R

- Use either:
  - Bogart's [Annuity/Pension Exclusion Calculator](#) (Simplified Method) and manually enter Box 2a amount **or**
  - TaxSlayer Optional:

2a Taxable Amount

\$

Do you need to calculate your taxable amount?  
[Click here for options.](#)

Look at the Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

### Form 1099-Rs from the Railroad Retirement Board: Albert Meadows

Albert retired from AMTRAK and started drawing his pension on December 1, 2016. His pension was set up as joint/survivor.

## Income – Retirement Income

PAYER'S NAME, STREET ADDRESS, CITY, STATE AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N. RUSH ST. CHICAGO, IL 60611-2092		20 18		PAYMENTS BY THE RAILROAD RETIREMENT BOARD			
PAYER'S FEDERAL IDENTIFYING NO.      36-3314600		3. Gross Social Security Equivalent Benefit Portion of Tier 1 paid in 2018		\$15,645.00			
1. Claim Number and Payee Code A1256987691		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2018		COPY B -  FOR RECIPIENTS RECORDS			
2. Recipient's Identification Number 302-00-7000		5. Net Social Security Equivalent Benefit Portion of Tier 1 paid in 2018				\$15,645.00	
Recipient's Name, Address, City, State and ZIP Code  ALBERT J MEADOWS 24 NORTH ST YC YS YZIP		6. Workers Compensation Offset in 2018		THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.			
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2017					
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2016					
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years					
		10. Federal Income Tax Withheld		11. Medicare Premium			

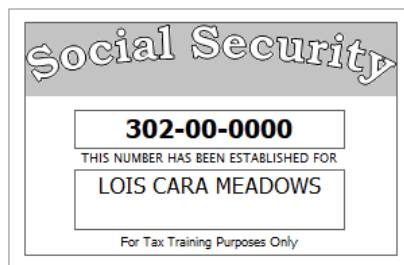
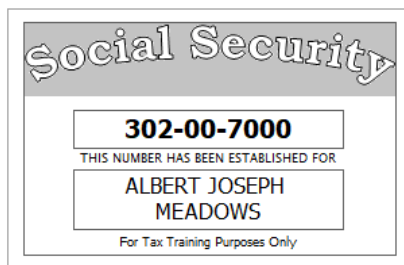
Form **RRB-1099**

PAYER'S NAME, STREET ADDRESS, CITY, STATE AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N. RUSH ST. CHICAGO, IL 60611-2092		20 18		ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD	
PAYER'S FEDERAL IDENTIFYING NO.      36-3314600		3. Employee Contributions		\$38,443.00	
1. Claim Number and Payee Code A1256987691		4. Contributory Amount Paid		\$22,640.00	
2. Recipient's Identification Number 302-00-7000		5. Vested Dual Benefit		COPY B -	
Recipient's Name, Address, City, State and ZIP Code  ALBERT J MEADOWS 24 NORTH ST YC YS YZIP		6. Supplemental Annuity			
		7. Total Gross Paid		\$22,640.00	
		8. Repayments		9. Federal Income Tax Withheld	
		10. Rate of Tax		11 Country    12 Medicare Premium	

Form **RRB-1099-R**

- The Form RRB-1099 (Blue) is similar to Social Security Benefits covered in the Social Security lesson.
- The Form RRB 1099-R Green (Green) is reported as Retirement Income. For TaxSlayer input guidance, use the Volunteer Resource Guide Pub 4012, Tab D. Many times the RRB-1099-R will require the Counselor to calculate the taxable amount with the Simplified Method

## Income – Retirement Income



- Albert and Lois are married and file Married Filing Jointly with no dependents
- Both have Minimum Essential Coverage through Lois' family plan from work
- Standard Deduction
- Want their refund mailed to them

### Practice Lab

Input the Form 1099-R.

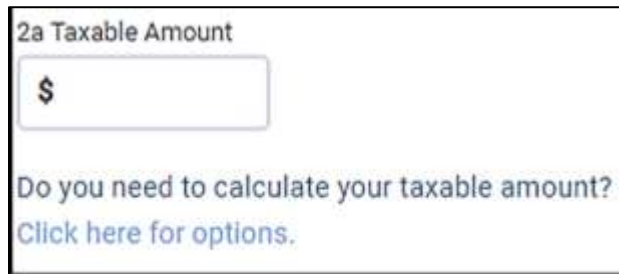
When using the Bogart Calculator, check the box in Gross Distribution for **RRB 1099-R**.

Taxpayer's name and pension type for tax year 2018		ALBERT MEADOWS	
		<input type="checkbox"/> Check if a public safety officer pension ? <input type="checkbox"/> Check if a disability pension ?	
		Enter dates as MM/DD/YYYY	Age at annuity start
Annuity start date			
Annuitant's birthdate	<input type="checkbox"/> Died in 2018		
Spouse's birthdate		(N/A for annuity before 1998)	
Combined age for survivor annuity			Not used
Gross distribution	<input checked="" type="checkbox"/> Check if RRB1099-R		
Total annuity contributions			
Exclusion months in 1st year			
Total months to be excluded			
Monthly exclusion			
First year exclusion			
Exclusion for remaining years			
Final year exclusion			

Use either:

## Income – Retirement Income

- Bogart's [Annuity/Pension Exclusion Calculator](#) (Simplified Method) and manually enter Box 2a amount **or**
- or, TaxSlayer Optional:

A screenshot of a web form titled "2a Taxable Amount". It features a text input field with a dollar sign (\$) as a placeholder. Below the input field, there is a question "Do you need to calculate your taxable amount?" followed by a blue hyperlink that says "Click here for options."

Look at the Summary/Print pages 1 & 2

- What is the Adjusted Gross Income? \_\_\_\_\_

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

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### Qualified Charitable Distribution Volunteer Resource Guide Tab O

- A nontaxable distribution made directly by the trustee of the IRA to an organization eligible to receive tax-deductible contributions.
- The taxpayer must be at least age 70 1/2 when the distribution is made.
- The taxpayer must have the same type of contribution acknowledgement needed to claim a qualified charitable contribution deduction.
- A QCD counts towards the taxpayer's required minimum distribution.

Form or Topic	Keyword	Navigation to Data Entry Screen
<b>IRA Qualified Charitable Distribution (Not a Charitable Gift Annuity)</b>	R	Income>IRA/Pension Distribution>Add or edit 1099-R>Subtract distribution that was sent directly by trustee to charity from Box 1 and enter the difference in Box 2a. Click continue and navigate back to Income>IRA/Pension Distribution>Go to Nontaxable Distributions> and check the box "Check here to mark this as a Qualified Charitable Distribution (QCD) on your return."

## Income – Retirement Income

### Learning Review

#### Retirement Income

1. When should the taxable amount be calculated on Form 1099-R, Line 2a?	
2. The taxpayer, a retired public safety officer (PSO), provides you a copy of his 1099-R and tells you or has a detail statement telling him health insurance premiums of \$3,786 were withheld. How do you properly report this in TaxSlayer?	
3. If the taxpayer is allowed to make a qualified charitable contribution from their required minimum distribution and the entire distribution amount is \$4,500 while the contribution portion is \$2,000; how would you handle the transaction in TaxSlayer?	
4. The retiree died before starting to collect on his pension. It is a joint and survivor benefit policy. When using the Simplified Method, both birthdates must be used.	True or False
5. If the 1099-R shows a code “3” in Box 7. What probing questions do you ask? Why? What do you do if there is an entry in box 9b on the Form 1099-R?	
6. A taxpayer has an IRA 1099-R with Distribution Code 1 and tells you that he took the distribution to buy a new car, but then changed his mind and put the money back into another IRA. What probing questions do you ask and how do you enter this information in TaxSlayer? What if he took money out of two different IRAs instead of one?	
7. An early distribution is not subject to the 10% early withdrawal penalty if it has one of the following codes in Box 7: 2, 3, or 4.	True or False
8. A taxpayer presents a 1099-R with Distribution Code 1, what probing questions do you ask? What if the taxpayer is 70 years old?	
9. The taxpayer takes a distribution from his IRA and tells you he had made non-deductible contributions in prior years. How would you enter the non-taxable portion of the current distribution into TaxSlayer?	

## Income – Retirement Income

### Answers to Learning Review

1. As a pension, the taxable amount needs to be calculated when the taxable portion is not shown on the 1099-R form (Box 2), the “Taxable Amount Not Determined” Box is checked and there is an amount in Box 9b, employee’s contributions. Complete the Simplified General Rule Worksheet (or use the Bogart annuity calculator) and enter the taxable amount in box 2a of the Form 1099-R input screen.
2. The amount paid by a public safety officer (PSO) for health insurance reduces the taxable amount (field 2a on TaxSlayer Form 1099-R input screen), up to \$3,000. (Pub 4012 Tab D, Form 1099-R) The remainder of the insurance premium (\$786) goes to the medical itemized deduction entry screen. Also, check the appropriate box on the IRA/Pension Distributions > Nontaxable Distributions screen. (Pub 4012 Tab D, 1099-R Nontaxable Income) Note: if the pension is also subject to the simplified general rule, use the calculator in TaxSlayer or Bogart’s annuity calculator.
3. The amount of the qualified charitable distribution reduces the taxable amount (field 2a on TaxSlayer Form 1099-R input screen). (Pub 4012 Tab D, Form 1099-R) Also, check the appropriate box on the IRA/Pension Distributions > Nontaxable Distributions screen. (Pub 4012 Tab D, 1099-R Nontaxable Income)
4. False. Since distributions had not yet started, it becomes the spouse’s plan and the spouse’s life alone is used. (Pub 17 Chapter 10, Survivors and Beneficiaries, Survivors of employees)
5. Code 3 in Box 7 indicates that this is a disability pension. Ask the taxpayer what the minimum retirement age is for that employer. If the taxpayer is younger than the minimum retirement age, the income is reported as wages in box 7 on Form 1040 and may qualify the taxpayer for earned income credit. If there is an entry in box 9b, Employee Contributions, the entire amount is taxable. The taxpayer does not start recovering their contributions (simplified method) until they reach the minimum retirement age and it becomes a normal pension. (Pub 17 Chapter 5 Disability Pension section and Pub 4012 Tab D-24)
6. Did he return the money into the IRA within 60 days of removing it? If so, it may qualify as a tax-free rollover. If he took two distributions and re-deposited some or all of both distributions, only the first distribution can be treated as a rollover. The second must be taxed and possibly penalized; although, the re-deposit would be treated as a contribution and possibly deducted as an adjustment if he meets those requirements. See Pub 590-A for more information and exceptions to the 60-day rule.
7. True

## Income – Retirement Income

8. Read the list of exceptions to the early distribution addition to tax, explain them and ask if any apply. If the taxpayer is over 59½, exception 12 applies.
9. You will need Form 8606 from the prior year's tax return. Use the basis information to complete the Form 8606 input screen and calculate the taxable portion of the distribution. The taxable amount is then entered in box 2a of the Form 1099-R input screen. Note: Form 8606, Part I is in scope for Tax-Aide.

Taxpayer's name and pension type for tax year <span style="border: 1px solid black; padding: 2px;">2018</span>	JOANNE MOORE <input type="checkbox"/> Check if a public safety officer pension <span style="color: green;">?</span> <input type="checkbox"/> Check if a disability pension <span style="color: green;">?</span>	
	Enter dates as MM/DD/YYYY	Age at annuity start
Annuity start date	<span style="border: 1px solid black; padding: 2px;">01/01/2017</span>	
Annuitant's birthdate <span style="margin-left: 20px;"><input type="checkbox"/> Died in 2018</span>	<span style="border: 1px solid black; padding: 2px;">12/29/1965</span>	51
Spouse's birthdate	<span style="border: 1px solid black; padding: 2px;"></span>	Not used
Combined age for survivor annuity	(For joint or survivor annuity)	Not used
Gross distribution ( <input type="checkbox"/> Check if RRB1099-R)	<span style="border: 1px solid black; padding: 2px;">18985</span>	
Total annuity contributions	<span style="border: 1px solid black; padding: 2px;">37360</span>	
Exclusion months in 1st year	12	
Total months to be excluded	360	
Monthly exclusion	103.78	
First year exclusion	1245	
Exclusion for remaining years	1245	
Final year exclusion (2047)	10	

### Form 1099-R

1 Gross Distribution

18985

2a Taxable Amount

17740

9b Total employee contributions

37360

## Income – Retirement Income

Taxpayer's name and pension type for tax year 2017	ALBERT MEADOWS <input type="checkbox"/> Check if a public safety officer pension ? <input type="checkbox"/> Check if a disability pension ?	
	Enter dates as MM/DD/YYYY	Age at annuity start
Annuity start date	12/01/2016	
Annuitant's birthdate <input type="checkbox"/> Check if deceased <input type="checkbox"/> Died in 2017	01/17/1954	62
Spouse's birthdate	03/25/1976	40
Combined age for survivor annuity	Joint or survivor annuity	102
Gross distribution ( <input checked="" type="checkbox"/> Check if RRB1099-R)	22640	
Total annuity contributions	38443	
Exclusion months in 1st year	1	
Total months to be excluded	410	
Monthly exclusion	93.76	
First year exclusion	94	
Exclusion for remaining years	1125	
Final year exclusion (2051)	99	

### Form RRB-1099-R

3 Total employee contributions	38443
7 Total Gross Paid	22640
7a Taxable Amount	21515