

Changes to Codes for Roth IRAs on Form 1099-R

Announcement 98-106

Purpose

The purpose of this announcement is to advise payers making distributions from Roth IRAs of changes to the distributions codes on Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

Background

The Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206) amended Internal Revenue Code section 408A, dealing with Roth IRAs. Because of these amendments, the Service has concluded that code K (Distribution from a 1998 Roth conversion IRA in the first 5 years) on the 1998 Form 1099-R may not be needed. In addition, a new code for recharacterizations is needed.

1998 Form 1099-R

Code K, to be used in box 7 on the 1998 Form 1099-R, is now optional. All distributions from a Roth IRA or Roth conversion IRA can be reported using code J, Distribution from a Roth IRA in first 5 years, in box 7.

1999 Form 1099-R

Code K will be eliminated on the 1999 Form 1099-R. Code J will be changed to "Distribution from a Roth IRA." Use Code J when reporting any distribution from a Roth IRA or Roth conversion IRA. Code R, Recharacterized IRA contribution, will be added to identify a recharacterization of an IRA contribution.