

Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

▶ Please see **What Records Must I Keep?** below.
▶ Attach to **Form 1040, Form 1040A, or Form 1040NR.**

Name. (If married, file a separate Form 8606 for each spouse. See instructions.)

Your social security number

**Fill in Your Address Only
If You Are Filing This
Form by Itself and Not
With Your Tax Return**

Home address (number and street, or P.O. box if mail is not delivered to your home)

Apt. no.

City, town or post office, state, and ZIP code

1 Enter the total value of ALL your IRAs as of 12/31/92. See instructions	1				
2 Enter your IRA contributions for 1992 that you choose to be nondeductible. Include those made during 1/1/93–4/15/93 that were for 1992. See instructions				2	
3 Enter your total IRA basis for 1991 and prior years. See instructions				3	
4 Add lines 2 and 3. If you did not receive any IRA distributions (withdrawals) in 1992, skip lines 5 through 13 and enter this amount on line 14				4	
5 Enter only those contributions included on line 2 that were made during 1/1/93–4/15/93. This amount will be the same as line 2 if all of your nondeductible contributions for 1992 were made in 1993 by 4/15/93. See instructions				5	
6 Subtract line 5 from line 4				6	
7 Enter the amount from line 1 plus any outstanding rollovers. See instructions	7				
8 Enter the total IRA distributions received during 1992. Do not include amounts rolled over before 1/1/93. See instructions	8				
9 Add lines 7 and 8	9				
10 Divide line 6 by line 9 and enter the result as a decimal (to at least two places). Do not enter more than "1.00"	10				
11 Multiply line 8 by line 10. This is the amount of your nontaxable distributions for 1992 . See instructions				11	
12 Subtract line 11 from line 6. This is the basis in your IRA(s) as of 12/31/92 . See instructions				12	
13 Enter the amount, if any, from line 5				13	
14 Add lines 12 and 13. This is your total IRA basis for 1992 and prior years . See instructions				14	

**Sign Here Only If You
Are Filing This Form
by Itself and Not With
Your Tax Return**

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ _____
Your signature

▶ _____
Date

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 26 minutes; **Learning about the law or the form**, 7 minutes; **Preparing the form**, 22 minutes; and **Copying, assembling, and sending the form to the IRS**, 20 minutes.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **IRS** and the **Office of Management and Budget** at the addresses listed in the Instructions for Form 1040, Form 1040A, or Form 1040NR.

General Instructions

Purpose of Form.—You must use Form 8606 to report your IRA contributions that you choose to be nondeductible. You may wish to make nondeductible contributions, for example, if all or part of your contributions are not deductible because of the income limitations for IRAs. First, figure your deductible contributions using the instructions for Form 1040 or Form 1040A, whichever apply to you. Report the deductible contributions on Form 1040, Form 1040A, or Form 1040NR. Then, enter on line 2 of Form 8606 the amount you choose to be nondeductible.

If you have at any time made nondeductible contributions, you must also use Form 8606 to figure the nontaxable part of any IRA distributions you received in 1992. The part of any distributions you receive attributable to nondeductible contributions will not be taxable. Line 11 will show the amount that is not taxable.

Who Must File.—You must file Form 8606 for 1992 if **either** of the following applies:

- You made nondeductible contributions to your IRA for 1992, or
- You received IRA distributions in 1992 **and** you have at any time made nondeductible contributions to any of your IRAs.

When and Where To File.—Attach Form 8606 to your 1992 Form 1040, Form 1040A, or Form 1040NR.

If you are required to file Form 8606 but do not have to file an income tax return because you do not meet the requirements for filing a return, you still have to file a Form 8606 with the Internal Revenue Service at the time and place you would be required to file Form 1040, Form 1040A, or Form 1040NR.

What Records Must I Keep?—To verify the nontaxable part of distributions from your IRA, keep a copy of this form together with copies of the following forms and records until all distributions are made from your IRA(s):

- Page 1 of Forms 1040 (or Forms 1040A or Forms 1040NR) filed for each year you make a nondeductible contribution,

- Forms 5498 or similar statements received each year showing contributions you made,
- Forms 5498 or similar statements you received showing the value of your IRA(s) for each year you received a distribution, and
- Forms 1099-R and W-2P received for each year you received a distribution.

Penalty for Not Filing Form 8606.—The law provides for a penalty if you make nondeductible IRA contributions and do not file Form 8606. You will have to pay a \$50 penalty for each failure to file Form 8606, unless you can show that the failure to file was due to reasonable cause.

Penalty for Overstatement.—If you overstate your nondeductible contributions on this form for any tax year, you must pay a penalty of \$100 for each overstatement, unless it was due to reasonable cause.

Additional Information.—For more information on nondeductible contributions, IRA basis, and distributions, get **Pub. 590**, Individual Retirement Arrangements (IRAs).

Amending Form 8606.—After you file your return, you may change, if you wish, a nondeductible contribution made on a prior year's return to a deductible contribution or vice versa. To do this, fill out a new Form 8606 showing the revised information and attach it to **Form 1040X**, Amended U.S. Individual Income Tax Return. Send both of these forms to the Internal Revenue Service Center shown in the Form 1040X instructions for your area.

Specific Instructions

Note: If you received an IRA distribution in 1992 and you also made IRA contributions for 1992 that may be partly nondeductible, you need to make a special computation before filling in this form. See **Tax Treatment of Distributions** in **Pub. 590** for details on how to make the computation and how to fill in Form 8606.

Name and Social Security Number.—Enter your name and social security number. If you file a joint return on Form 1040 or Form 1040A, enter the name and social security number of the spouse whose IRA information is shown.

Line 1.—Enter the total value of **ALL** your IRAs as of 12/31/92. You should receive a statement by 2/1/93 for each IRA account showing the value on 12/31/92.

Line 2.—If you used **IRA Worksheet 2** in the instructions for **Form 1040** or **Form 1040A**, enter on line 2 of Form 8606 any nondeductible contributions shown on line 10 of that worksheet in the Form 1040 instructions or line 8 of that worksheet in the Form 1040A instructions. If any nondeductible contributions were made to an IRA for your nonworking spouse, complete a separate Form 8606 for your spouse. Enter on line 2 of your spouse's Form 8606 any nondeductible contributions for your nonworking spouse from the appropriate lines of IRA Worksheet 2.

You may also choose to treat any part of deductible contributions as nondeductible. To do this, include on line 2 of Form 8606 any deductible contributions that you are treating as nondeductible.

Note: You cannot take a deduction for the amount on line 2.

If none of your contributions are deductible, you may still choose to make a nondeductible contribution up to a maximum of \$2,000 (but not more than your earned income). Enter your contributions that you are treating as nondeductible on line 2 of Form 8606.

If contributions were also made to an IRA for your nonworking spouse and none of the contributions are deductible, you may still make nondeductible contributions up to a maximum of \$2,250 (but not more than your earned income). Enter on line 2 of your Form 8606 the total nondeductible contributions that you are making to your IRA. Enter the balance on line 2 of your nonworking spouse's Form 8606. You cannot contribute more than \$2,000 to either your IRA or your spouse's IRA. Also, the total of the two amounts cannot be more than \$2,250 and not more than your earned income.

If you used IRA Worksheet 1 in the instructions for Form 1040 or Form 1040A, the amount shown on line 3 of that worksheet is the amount of your contributions that you may deduct. However, you may choose to make all or part of that amount nondeductible. Enter on line 2 of your Form 8606 the difference between the amount you are deducting and the amount shown on line 3 of IRA Worksheet 1.

If contributions were made to an IRA for your nonworking spouse, the amount shown on line 8 of IRA Worksheet 1 is the amount of the allowable deduction for your nonworking spouse's IRA. However, you can treat all or part of that amount as nondeductible. Enter on line 2 of your nonworking spouse's Form 8606 the difference between the amount that is deducted for your nonworking spouse and the amount on line 8 of IRA Worksheet 1.

Line 3.—Your total IRA basis for 1991 and prior years is the total of all your nondeductible IRA contributions for 1987 through 1991 minus the total of any nontaxable IRA distributions received in those years. If this is the first year you are required to file Form 8606, enter zero. If you filed a **1991**, **1990**, or **1989** Form 8606, enter the amount from line 14 of the **last** Form 8606 you filed. Otherwise, enter the total of the amounts from lines 7 and 16 of your **1988** Form 8606. Or, if you didn't file a 1988 Form 8606, enter the total of the amounts from lines 4 and 13 of your **1987** Form 8606.

Line 5.—If you made contributions both in 1992 and 1993 that are for 1992, you may choose to apply the contributions made in 1992 first to nondeductible contributions and then to deductible contributions, or vice versa. However, the amount on line 2

minus the amount on line 5 cannot be more than the IRA contributions you actually made in 1992.

Example. You made contributions of \$1,000 in 1992, and \$1,000 in 1993. \$1,500 of your contributions are deductible and \$500 are nondeductible. You choose \$500 of your contribution in 1992 to be nondeductible. In this case, the \$500 would be entered on line 2, but not on line 5, and would become part of your basis for 1992.

Line 6.—Although the 1992 IRA contributions you made during 1/1/93–4/15/93 (line 5) can be treated as nondeductible for purposes of line 2, they are not included in your basis for purposes of figuring the nontaxable part of any distributions you received in 1992. This is the reason you subtract line 5 from line 4.

Line 7.—Enter the amount from line 1 plus any outstanding rollovers. A **rollover** is a tax-free distribution from one IRA that is then contributed to another IRA. The rollover contribution must be made within 60 days of receiving the distribution from the first IRA. An **outstanding rollover** is any amount distributed to you from one IRA within 60 days of the end of 1992 (between November 2 and December 31) that you did not roll over to another IRA by 12/31/92, but that you roll over to another IRA in 1993 within the normal 60-day rollover period.

If you do not have any outstanding rollovers, line 7 will be the same as line 1.

Line 8.—Do not include on line 8 any distributions that were (1) received in 1992 and rolled over to another IRA by 12/31/92, (2) outstanding rollovers included on line 7, (3) contributions under Internal Revenue Code section 408(d)(4) that were returned to you on or before the due date of the return, or (4) excess contributions under Internal Revenue Code section 408(d)(5) that were returned to you after the due date of the return.

Line 11.—This is the amount of your nontaxable IRA distributions for 1992. Subtract this amount from your total distributions shown on line 8. The difference is your taxable distributions to be reported on Form 1040, line 16b, Form 1040A, line 10b, or Form 1040NR, line 17b, whichever applies.

Line 12.—The basis in your IRA as of 12/31/92 is the total of your nondeductible IRA contributions made in 1992 and prior years minus the total of any nontaxable IRA distributions received in those years. If you have basis in your IRA(s), part of each subsequent IRA distribution will be nontaxable until your basis is reduced to zero.

Line 14.—Your total IRA basis for 1992 and prior years includes your IRA basis as of 12/31/92 and any nondeductible IRA contributions for 1992 that you made in 1993 by 4/15/93. This amount will be used on Form 8606 in future years if you make nondeductible IRA contributions or receive distributions.