

Changes to Codes for Roth IRAs on Form 1099-R (Announcement 98-106 Corrected)

Announcement 98-113

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 no longer serve its intended purpose. 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. Payers may choose to use Code J in box 7 for all distributions from a Roth IRA or Roth conversion IRA. They will meet the requirements of Q/A-B-2 of Notice 98-49, 1998-38 I.R.B. 5, if they use Code J instead of Code K.

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. New Code R, "Recharacterized IRA contribution," will be added to identify a recharacterization of an IRA contribution.