Form 1099-R Box 7 Distribution Codes

Box 7 Distribution Codes	Explanations
1* – Early distribution, no known exception	• If this amount was rolled over within 60 days of the withdrawal and—if the distribution was from an IRA--no prior rollover was made in the same 12-month period. Check the box under Rollover or Disability on Form 1099-R, and enter the amount rolled over. Trustee to trustee transfer isn't considered a prior rollover. If more than one rollover from an IRA in the 12-month period, return is Out of Scope. • If this wasn't rolled over, a 10% additional tax will be applied unless the taxpayer qualifies for an exception. See Tab H, Other Taxes, Payments and Refundable Credits, for a list of exceptions. If the taxpayer qualifies for an exception, go to Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts, enter the amount that qualifies for an exception and select the reason for the exception from the drop-down list.
2* – Early distribution, exception applies	Code 2 applies if the taxpayer is under 59 ½ but the payer knows that an exception to the additional tax applies. If the IRA/SEP/SIMPLE box **ISN'T** checked, no further action needed. If the IRA/SEP/SIMPLE box **IS** checked, ask the taxpayer if any non-deductible contributions were made. If so, the return is Out of Scope.
3 – Disability	Code 3 is for a disability pension. • If the taxpayer is under the minimum retirement age for the company he retired from, then check the box under Rollover or Disability that says, "Check here to report on Form 1040, line 1h." This will reclassify the disability income as wages. It will also include the amount as income for calculation of the earned income credit, additional child tax credit, and child and dependent care credit. • If the taxpayer has reached the minimum retirement age, no further action is needed.
4 – Death	Code 4 is for a survivor's benefit or an inherited IRA. If it's an inherited IRA and the original owner had a basis, the beneficiary takes over that basis (Out of Scope).
6 – Section 1035 exchange	Code 6 is a tax-free exchange of life insurance, annuity, qualified long-term care insurance, or endowment contract. It is not reported on the tax return.
7* – Normal distribution	Code 7 is for normal distributions. It may occur in several different situations: • If the amounts in Box 1 and 2a are the same, and Box 2b isn't checked, the pension is fully taxable. • If the taxpayer makes a rollover from one IRA to another and holds the money less than 60 days, enter the amount rolled over into the Rollover or Disability field. • If the Box 2b is checked and there is an amount in Box 9b, complete the Simplified Method. Be sure to use the taxpayer's age at the time of retirement—not current age. • If there is an amount in Box 2a that is different than Box 1, no further action is needed. • If there is no amount (or zero) in Box 2a, check to see if there is an amount in Box 5. If this is the same amount as Box 1, the distribution is the taxpayer's own money coming back. None of the distribution will be taxed. • If any portion of this distribution was sent directly from the trustee to a charity, and the taxpayer is over 70 1/2 years old, enter the net taxable amount in box 2a (which may be zero). Select Continue and at the IRA/ Pensions Distributions page, select Nontaxable Distributions and check the box to mark that there is a Qualified Charitable Distribution (QCD). No itemized deduction may be taken for the donation. If taxpayers receive or expect to receive a state or local tax credit for their QCD, the amount treated as a QCD may be reduced by the amount of the state or local tax credit. See Publication 526, Charitable Contributions, for details. • If this is a distribution for a retired public safety officer (PSO) from a plan maintained by the employer from which they retired as a PSO, then the PSO exclusion may apply. See earlier in this section for details. • If the IRA/SEP/SIMPLE box IS checked, ask the taxpayer if any non-deductible contributions were made. If so, the return is Out of Scope.
B – Designated Roth account distribution	Code B is for a distribution from a designated Roth account. This code is in scope only if taxable amount has been determined.
D– Annuity payments from nonqualified annuities	Code D is used for a distribution from a private annuity in conjunction with the regular code. The distribution is subject to the net investment income tax. The return is Out of Scope if the taxable amount is not provided in Box 2a or by the taxpayer. If the taxpayer has AGI over a threshold amount ($200,000 for a single taxpayer or HoH; $250,000 MFJ or QW; $125,000 MFS), then this code means the return is Out of Scope. If the AGI is less than the threshold amount the return is in scope and no further action is needed.

**The return is Out of Scope if the Form 1099-R distribution with codes 1, 2, or 7 is the result of a Traditional IRA to Roth IRA conversion.*

Form 1099-R Box 7 Distribution Codes (continued)

Box 7 Distribution Codes	Explanations
F – Charitable gift annuity	Code F is used for the annuity payments from a charitable gift annuity. To determine the amount to enter in Box 2a (Taxable amount), subtract the amount in Box 3 Capital gain, and Box 5 (Employee contributions) from the Gross distribution (Box 1) and enter that difference in the Form 1099R screen Box 2a. Also, navigate to Income>Capital Gains and Losses>Additional Capital Gain Distributions and enter the amount in Box 3 as a long-term capital gain.
G – Direct rollover of distribution and direct payment	Code G is for a direct rollover from a qualified plan to an eligible retirement plan. If Box 2a, taxable amount, is zero or blank, it won't be taxed. If there is an amount in Box 2a, the direct rollover is fully or partially taxable. See Form 1099-R Rollovers, earlier in this section. Code G is also used by an employer to report designated Roth nonelective contributions and designated Roth matching contributions (in this case Boxes 1 and 2a will be the same as the entire contribution is taxable).
H – Direct rollover of a designated Roth account distribution to a Roth IRA	Code H is for a direct rollover of a distribution from a designated Roth account to a Roth IRA. It won't be taxed. No further action is needed. Box 2a should be blank.
L – Loans treated as deemed distributions	Code L is for loans treated as deemed distributions. This code could possibly be combined with codes 1, 2, 4, 7, or B. For more information on how it is treated see the codes on this chart.
M – Qualified plan loan offset	Code M is used for a qualified plan loan offset distribution due to plan termination or severance from employment. The taxpayer has until the due date, including extensions, to rollover any of the amount. It is always used with another code 1,2,4,7 or B. Treat the distribution based on the other code.
Q – Qualified distribution from a Roth IRA	This distribution isn't taxable. Box 2a should be blank. TaxSlayer enters the distribution amount on Form 1040 on the IRAs, pensions, and annuities line. No further action is needed.
S – Early distribution from a SIMPLE IRA in the first 2 years, no known exception	A 25% additional tax will be applied unless the taxpayer qualifies for an exception. See Tab H, Other Taxes, Payments, and Refundable Credits, for a list of exceptions. If the taxpayer qualifies for an exception, go to Form 5329 and enter the amount of the distribution not subject to the additional tax and select the exception reason from the dropdown list.
W – Charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements.	This distribution is excludable from gross income. It is not entered on the tax return.
5, 8, 9, A, E, J, K, N, P, R, T, U	These codes are Out of Scope.