

Form 1099-R Box 7 Distribution Codes

Box 7 Distribution Codes	Explanations
1 — Early distribution, no known exception	<ul style="list-style-type: none"> 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 ACA, 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 dropdown list. If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606, and the return is Out of Scope.
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, additional reporting may be required on Form 8606, and the return is Out of Scope.
3 — Disability	Code 3 is for a disability pension. <ul style="list-style-type: none"> 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 as wages on the Form 1040." This will reclassify the disability income as wages. It will also include the amount in earned income for calculation of the earned income credit, the dependent care credit and the additional child tax 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 a pension, the original retiree has died, and the survivor is receiving his or her share of the pension. If the original pensioner was using the Simplified Method, continue to use it for the survivor. If it's an inherited IRA and the original owner had a basis, the survivor takes over that basis and the return is Out of Scope.
5 — Prohibited transaction	This code is Out of Scope.
6 — Tax-free Section 1035 exchange	This code is Out of Scope.
7 — Normal distribution	Code 7 is for normal distributions. It may occur in several different situations: <ul style="list-style-type: none"> 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 2 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). Hit 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 charitable deduction may be taken for the donation. If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606. In that case, the return is Out of Scope.
8 — Excess contributions	This code is Out of Scope.
9 — Cost of current life insurance	This code is Out of Scope

Form 1099-R Box 7 Distribution Codes (continued)

Box 7 Distribution Codes	Explanations
A — May be eligible for 10-year tax option	This code 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. 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.
E — Distributions under Employee Plans Compliance Resolution System (EPCRS)	This code is Out of Scope.
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 (cap gains) and box 5 (Employee Contribution) from the taxable amount (box 1). Enter the difference in 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. No further action is needed.
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. Place check mark in box IRA/SEP/SIMPLE.
J — Early distribution from a Roth IRA	This code is Out of Scope.
K — Distribution of Traditional IRA assets not having a readily available FMV	This code is Out of Scope.
L — Loans treated as deemed distributions	Code L is for loans treated as deemed distributions. This code could possibly be combined with codes 1, 4, or B. For more information on how it is treated see the codes on this chart.
N — Recharacterized IRA contribution	This code is Out of Scope.
P — Excess contributions plus earnings/excess deferrals	This code is Out of Scope.
Q — Qualified distribution from a Roth IRA	This distribution isn't taxable. TaxSlayer enters the distribution amount on Form 1040 on the IRAs, pensions, and annuities line. No further action is needed.
R — Recharacterized IRA contribution	This code is Out of Scope.
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 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 the code for the exception and the amount that qualifies for it.
T — Roth IRA distribution, exception applies	This code is Out of Scope.
U — Dividends distributed from an ESOP	This code is Out of Scope.
W — Charges or payments for LTC contracts	This code is Out of Scope.