

MEMO# 32226

February 21, 2020

Instructions for 2020 Forms 1099-R and 5498 Reflect Qualified Birth or Adoption Distributions

[32226]

February 21, 2020 TO: ICI Members
Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: Instructions for 2020 Forms 1099-R and 5498 Reflect Qualified Birth or Adoption Distributions

The IRS released the 2020 Instructions for Forms 1099-R and 5498 (Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.),^[1] including instructions for reporting qualified birth or adoption distributions (a new exception to the 10 percent early distribution penalty established by section 113 of the SECURE Act)^[2] and for reporting repayments of such birth or adoption distributions.

For purposes of Form 1099-R, the instructions (page 16) indicate that reporting entities should use Code 1 (early distribution, no known exception) in Box 7 to report a qualified birth or adoption distribution.

For purposes of Form 5498, the instructions (pages 21 and 24) indicate that reporting entities should report any repayment of a qualified birth or adoption distribution in Boxes 14a (amount) and 14b (with indicator code "BA").

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endnotes

^[1] The Instructions are available at: <https://www.irs.gov/pub/irs-prior/i1099r--2020.pdf>.

^[2] Section 113 of the SECURE Act adds a new exception from the 10 percent early distribution penalty for qualified withdrawals from a defined contribution plan or IRA for the birth or adoption of a child. Under the new exception, qualified withdrawals are limited to

\$5,000 in the aggregate across an individual's accounts with respect to a birth or adoption; the withdrawal must be made within one year after the birth or adoption date; and the distribution may be recontributed to an eligible retirement plan or IRA, subject to certain rules, and is treated as a rollover. The provision applies to distributions made after December 31, 2019. For a summary of the SECURE Act, see ICI Memorandum No. 32118, dated December 20, 2019. Available here:

https://www.ici.org/my_ici/memorandum/memo32118. ICI submitted a letter to Treasury and IRS on January 23, 2020, requesting guidance and relief needed as a result of certain SECURE Act provisions becoming effective within days after enactment, including qualified birth or adoption distributions. See ICI Memorandum No. 32170, dated January 23, 2020. Available here: https://www.ici.org/my_ici/memorandum/memo32170.

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