

# Scottrade Tax Guide for Retirement Accounts

This annual guide discusses general topics regarding Scottrade's completion of Internal Revenue Service (IRS) tax forms for customers. Scottrade does not provide tax, legal or investment advice. Customers should consult their tax or legal advisor(s) for questions regarding specific tax issues.

Forms	Postmark Date
1099R	January 31
1099Q	January 31
5498	January 31 (includes original and RMD) May 31 (includes corrections and carryback contributions)
5498ESA	April 30

**Please Note:** If these dates fall on a Saturday, Sunday or legal holiday, the delivery date will be the next business day.

**Electronic Delivery:** You can elect to receive your tax statement online. To make this election, please follow the path below:  
My Account > My Information and Preferences > Account Preferences tab

**1099Rs and 1099Qs:** The 1099R and 1099Q forms report distributions within a specific tax year. If you have received different types of distributions during the year, you may receive more than one form. 1099Qs also report the Fair Market Value (FMV) of the account as well as any outgoing transfers.

**5498s and 5498ESAs:** The 5498 and 5498ESA forms report contributions within a specific tax year, plus the carryback period and the Fair Market Value (FMV). The carryback period is January 1 – April 15; the IRS allows you to make prior-year contributions during this time. You will receive a 5498 only if you had reportable transactions.

**Required Minimum Distributions (RMD):** If you are 70½ or older and held your Traditional IRA with Scottrade as of December 31, your RMD amount will be calculated and reported to you by January 31 on Form 5498. If you turn 70½ this year, the deadline to remove your first RMD is April 1 of the calendar year following the year in which you attain age 70½. If you elect to delay your RMD until April 1 of the following year, you will be required to take a second distribution by December 31 of that same year. The consequence of delaying the first RMD is that you will have two RMDs reported on your 1099R for the same year.

The RMD amount may or may not be the exact amount of your minimum distribution. If you have an outstanding rollover, transfer or prior year recharacterization, you must include them in your FMV. The Uniform Lifetime Table is used to calculate the RMD. If your spouse is more than 10 years younger than you and is your sole primary beneficiary, your calculation may be computed using the Joint Lifetime Table. The tables are located at IRS.gov. If a new calculation is required, please contact your local branch office. **Please note:** The recalculation using the Joint Lifetime Table must be completed prior to April 1 in order for your RMD amount to be corrected on Form 5498.

**Fair Market Value (FMV):** The FMV is determined by the December 31 account balance. The FMV will report on the 5498 for retirement accounts. **Please note: If you had no reportable transactions for the year, please use your year-end statement to report your FMV.**

The FMV for Coverdell ESA's will report on the 1099Q, only if you received a distribution or requested an outgoing transfer.

**72(t) Payments:** IRS Section 72(t) defines payments that are exceptions to the 10 percent early distribution penalty. If you are taking a distribution that qualifies for the 10 percent penalty exception, you will need to file IRS Form 5329 *Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts* to claim the exception. Scottrade does not determine whether you meet the qualification set by the IRS. These distributions will report on your 1099R as premature distributions.

**Rollover of Stock:** If you request a distribution of stock, that distribution is valued at the previous day's closing price. Should you decide to roll the distribution back into your IRA, that contribution will be valued at the previous day's closing price. Per IRS regulation, in order to account for the difference in stock price, a letter of explanation is required. You should contact your tax professional for further details on submitting the letter of explanation.

**Direct Rollovers:** A direct rollover is a movement of assets made directly between an IRA and a qualified plan. Since you will not have receipt of the assets, federal income tax withholding will be avoided. A qualified plan is an employer-sponsored plan such as a 401(k). Before rolling assets over to your Traditional IRA, you must first speak with your plan administrator to see if your plan is qualified. The distribution will be reported on the 1099R as distribution code G. The contribution will report on your 5498 in box 2.

**Roth Conversions:** As of 2010, the \$100,000 Adjusted Gross Income (AGI) limit has been removed. If you have not been eligible in the past to make a Roth Conversion, it is suggested that you contact your tax professional for further details. The deadline to complete your conversion remains December 31. The entire amount of your Traditional IRA, excluding any undistributed RMD amounts, may be converted to your Roth IRA.

**Reconversions:** There is a limit on the number of times you can reconvert the amount you originally converted to your Roth IRA. If you complete a conversion from your Traditional IRA to your Roth IRA during any tax year, and later recharacterize the amount back to your Traditional IRA, you are eligible to reconvert the amount on January 1 of the following year or 30 days after the recharacterization date (whichever is later).

**Recharacterizations:** The deadline for completing a recharacterization is, on or before your tax filing deadline (plus extensions) for the tax year of the contribution or conversion. If you have filed your tax return on time, you have an automatic six-month extension (October 15). If October 15 falls on the weekend, you will have until the following Monday to complete the recharacterization. The recharacterization is reported on the 1099R in the year in which the transaction occurred. The distribution code in Box 7 of your 1099R will indicate the year in which the recharacterization is for.

**Roth Distributions:** The tax and penalty consequence for taking a distribution from your Roth IRA depends on whether the distribution is qualified or nonqualified, and the source of contribution assets. A qualified Roth IRA distribution may be taken tax and penalty free. A nonqualified Roth IRA distribution of earnings is taxable, and maybe subject to penalty. A nonqualified Roth IRA distribution of conversion assets, though tax free, may be subject to a penalty if taken within five years of the conversion date. A nonqualified Roth IRA distribution of contribution assets maybe tax and penalty free if taken after the five year aging period. **Please note:** Distribution code Q is used for Qualified Distributions from a Roth IRA. This code is used when the five-year holding period has been met and the IRA holder has reached 59½, is deceased, or is disabled. **Scottrade does not use this code because it is not always known if the five-year holding period has been met. Therefore, your 1099R will report a distribution code of a J or T, depending on your age.**

**Carryback Contributions:** The IRS deadline to make carryback contributions is April 15 even if you applied for an extension. The only exception to the April 15 deadline is if the IRS declares your county a disaster area.

**Excess Contribution:** When you are correcting an excess contribution, the total amount of the original contribution must still report on your 5498 or 5498ESA, in order to account for the excess distribution. The contribution and distribution are two separate reportable events. The distribution will report on the 1099R or 1099Q for the year in which it is distributed. The appropriate distribution code will be reported on the 1099R or 1099Q to indicate which year the excess distribution is for.

**Rollover Contributions:** If you roll the entire distribution back in, the rollover is still a reportable event, just not taxable. However, if you rolled a portion of the distribution back in, you will only be taxed on the difference. The total amount of the distribution will be reported on your 1099R or 1099Q. The total amount of the rollover contribution will be reported on your 5498 or 5498ESA.

**SEP Employer Contributions:** The IRS requires all SEP employer contributions to be reported in the year they are received.

#### **Whom do I contact with questions regarding the tax forms for my Scottrade IRA?**

Please contact your local Scottrade branch office for further assistance. The branch phone number is conveniently located on your tax form. Please keep in mind that Scottrade does not provide tax advice; consult your professional tax advisor for assistance, or visit [www.irs.gov](http://www.irs.gov).

***Please contact your local Scottrade® team at 800.619.7283 with any questions.***

Scottrade does not provide tax advice. The material provided is for informational purposes only and Scottrade is not responsible for any errors or omissions. Please consult your tax or legal advisor(s) for questions concerning your personal tax or financial situation.

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