

ST15-19 Required Minimum Distribution (RMD) Waiver of Additional Tax

Taxpayers cannot keep funds in traditional IRAs indefinitely. A taxpayer must generally start receiving distributions from their IRAs by April 1 of the year following the year in which they reach age 70 1/2. The taxpayer must receive at least a minimum amount for each year starting with the year they reach age 70 1/2. If they don't receive the minimum distribution in the year they reach 70 1/2 they have until April 1, of the following year to take the distribution for the year they reached 70 1/2. In this case you would be required to take two minimum distributions for that year.

The IRA administrator normally calculates the RMD for the taxpayer, but it is the taxpayer's responsibility to take the RMD. The penalty for not taking the RMD by the due date is 50% of the shortfall. For taxpayers with multiple IRAs the RMD is based on the total of all their IRAs, but it can be taken from any of them.

As AARP TaxAide preparers, our responsibility is to ask each taxpayer that has reached 70 1/2 in the current tax year and has IRA(s) if they took their minimum distribution. If they are uncertain, they should contact their plan administrator(s) to determine what their MRD is.

If the taxpayer missed making all or part of their RMD, and the shortfall in the amount of distributions was due to reasonable error and the taxpayer is making reasonable steps to remedy the shortfall, you can request a waiver of the 50% penalty. This request for a waiver is accomplished on form 5329 Part VIII.

The 5329 Part VIII can be submitted with the tax return or submitted separately.

Complete the form as follows:

Add the 5329 to the tree by adding a form or linking from line 59 of the 1040 Page 2. Be sure to select the proper form for the TP or SP.

If not submitting the form with the tax return check the box at the top of the page.

Go to Part IX on page 2 of the form.

Line 52 - Enter the amount of the RMD for the current tax year.

Line 53 – Enter the total of the taxpayer's actual IRA distributions for the current tax year

Line 54 - A calculated field which will be the shortfall in the RMD. If the taxpayer's shortfall was due to a reasonable error, they can apply for a waiver. Enter the amount for which they are requesting a waiver in the lower box on line 54.

Link to the check box black arrow and link to "Line 54: Explanation for Request of Waiver of Tax" and complete the explanation. A sample is shown below:

US 5329	Line 54: Explanation for Request of Waiver of Tax	2015
THE TAXPAYER DID NOT UNDERSTAND THAT A RMD WAS DUE BY DEC 31, 2015, AND		
THOUGHT HE HAD UNTIL APRIL 1, 2016 THE FULL RMD FOR 2015 WAS TAKEN ON		
2/15/2016 FOR 2015 THE TAXPAYER REALIZES THAT A SECOND RMD IS ALSO DUE IN		
2016. REQUEST A WAIVER OF THE PENALTY		

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once the explanation is linked to the check box, the box will be checked and the penalty will no longer be on the return. The completed 5329 Part IX is shown below.

Form 5329 Part IX

Part IX: Additional Tax on Excess Accumulation in Qualified Retirement Plans	
52 Minimum required distribution for 2015 (see instructions)	10000
53 Amount actually distributed to you in 2015	5000
54 Subtract line 53 from line 52. If -0- or less, enter -0- If the shortfall in the amount of distributions was due to reasonable error and the taxpayer is making reasonable steps to remedy the shortfall, you can request a waiver of tax. Link here for a waiver explanation	0
Enter the amount you are requesting to be waived here	5000
55 Additional tax due. Multiply line 54 by 50%	0

This section will only fill in if you marked on page 1 that you are sending this form in separately or that this is an amended Form 5329.

Preparer's name: _____ Signature: _____ Firm name: _____ Address: _____ _____	Date: _____ PTIN: _____ Self-employed: <input type="checkbox"/> EIN: _____ Phone: _____
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Minimum Required Distribution Tips

- Alert taxpayers that are approaching 70 1/2 and have IRAs that they will be required to take RMD distributions and they should contact their plan administrator(s) for the amounts.
- If a taxpayer missed taking a RMD due to a misunderstanding or unintentional error, help them rectify the situation and apply for the waiver using the process above.
- The form 5329 can be sent with the tax return or separately to the IRS. If sending it separate from the tax return, check the box on page 1 at the top of the form.
- There is a 5329 for the taxpayer (TP) and the spouse (SP). Be sure you select the correct one.