

I will add these to the 1040 checklist:

#1 RMDs could be returned in 2020, but they still would get a 1099-R

#2 There is special reporting required for "COVID" distributions (see below)

If they qualify, there is no penalty and they can spread the income out over 3 years

RMDS:

IRAs Did you return a 2020 RMD from your IRA after learning RMDs were waived? You'll need to know how to report it on your return, and it's a tad tricky.

We have written before that required minimum distributions from IRAs and 401(k)s were suspended for 2020. People who took out an RMD in 2020 had until the later of Aug. 31, 2020, or 60 days after the payout to put the money back into the account and treat the distribution and subsequent redeposit as a tax-free rollover.

The 1099-R you get from your IRA custodian will show the original payout. But it won't account for the later return of the funds. In other words, the tax-free rollover is not shown on the form. Don't worry...the 1099-R is not wrong. Rollovers are generally not reflected on the 1099-R because custodians know only of the distributions. They are generally not aware of a future rollover.

When filling out your 1040 or 1040-SR, you should include the total amount of IRA distributions shown on Form 1099-R on line 4a. Then you subtract the amount that you properly and timely returned to the IRA and report the remainder...even if \$0... on line 4b. Write "Rollover" next to line 4b so IRS knows why the numbers don't match. And if federal income taxes were withheld from the original distribution and reported on the 1099-R, remember to claim the withholding on line 25b of the 1040 or 1040-SR.

#2 COVID distributions:

If you got a coronavirus-related distribution from your 401(k) or IRA in 2020... Don't forget to fill out Form 8915-E. These distributions are tax-favored. The 10% fine on early payouts is waived. The regular income tax on the distributions can be paid over three years. And amounts recontributed over the three-year time span will be treated as rollovers. Use Form 8915-E to spread out the tax on these payouts. Income tax paid on a distribution that is later rolled over within three years of the payout can be recovered by filing an amended return on Form 1040-X.

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Warm regards & be well,

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