

# *Sy Accountancy Corporation*

704 Mira Monte Place, Pasadena, California 91101  
Tel (626) 744-0200 ▪ Fax (626) 744-0300 ▪ vsy@victorsycpa.com

## EARLY DISTRIBUTIONS FROM RETIREMENT PLANS

By Victor Sy, CPA

- Payments you receive from your Individual Retirement Arrangement (IRA) before you reach age 59 ½ are considered early or premature distributions.
- Early distributions are subject to an additional 10% penalty.
- Early distributions are reported by your pension administrator to the IRS via Form 1099-R.
- Distributions that you rollover to another IRA or qualified retirement plan are not subject to regular tax or penalty. You must complete the rollover within 60 days after the day you receive the distribution.
- The amount you rollover is taxed when the new plan makes a distribution later - to you or your beneficiary.
- If you made nondeductible contributions to a traditional IRA, distributions attributable to those nondeductible contributions are not taxed.
- If you receive qualified distribution from a Roth IRA, the distribution is not taxed if it's made after 5 years.
- If you receive a distribution from any other qualified retirement plan, the entire distribution is taxable unless you made after-tax employee contributions to the plan.
- Distributions from all plans that are not subject to the 10% penalty:
  - Annuity or substantially equal payments.
  - Unreimbursed medical expenses.
  - Disability.
  - Beneficiary.
  - IRS levy.
  - Qualified reservist.
  -
- Distributions from IRAs that are not subject to the 10% penalty:
  - Returned before due date.
  - Medical insurance.
  - Higher education.
  - First-time homebuyer.