

ST14-19 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 70½. The taxpayer must receive at least a minimum amount for each year starting with the year they reach age 70½. If they don't receive the minimum distribution in the year they reach 70½ they have until April 1, of the following year to take the distribution for the year they reached 70½. 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 70½ 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 VIII on page 2 of the form

Line 50 - Enter the amount of the RMD for the current tax year.

Line 51 – Enter the total of the taxpayer's actual IRA distributions for the current tax year

Line 52 - 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 52.

Link to the check box black arrow and link to "Line 52: Explanation for Request of Waiver of Tax" and complete the explanation. A sample is shown below:

US 5329

Line 52: Explanation for Request of Waiver of Tax

2014

THE TAXPAYER DID NOT UNDERSTAND THAT A RMD WAS DUE BY DEC 31, 2014 AND
THOUGHT HE HAD UNTIL APRIL 15 | THE FULL MRD FOR WAS TAKEN ON 2/15/2015
FOR 2014, AND THE TAXPAYER REALIZES THAT A SECOND MRD IS ALSO DUE IN 2015
REQUEST A WAIVER OF THE 2500 PENALTY

