

Nondeductible IRAs (Contributions, Distributions, and Basis)

▶ Please see **What Records Must I Keep?** below.
 ▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

Name. If married, file a separate Form 8606 for each spouse who is required to file Form 8606. See instructions. Your social security number

Fill in Your Address Only if You Are Filing This Form by Itself and Not With Your Tax Return	Home address (number and street, or P.O. box if mail is not delivered to your home)	Apt. no.
	City, town or post office, state, and ZIP code	

Contributions, Nontaxable Distributions, and Basis

1 Enter your nondeductible IRA contributions for 1997, including those made during 1/1/98-4/15/98 that were for 1997. See instructions	1										
2 Enter your total IRA basis for 1996 and earlier years. See instructions	2										
3 Add lines 1 and 2	3										
<table border="0" style="width: 100%;"> <tr> <td style="border: 1px solid black; padding: 5px; width: 15%;">Did you receive any IRA distributions (withdrawals) in 1997?</td> <td style="width: 10%; text-align: center;">No</td> <td style="width: 10%; text-align: center;">▶</td> <td style="width: 10%;">Enter the amount from line 3 on line 12. Then, stop and read When and Where To File below.</td> </tr> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">▶</td> <td>Go to line 4.</td> </tr> </table>				Did you receive any IRA distributions (withdrawals) in 1997?	No	▶	Enter the amount from line 3 on line 12. Then, stop and read When and Where To File below.		Yes	▶	Go to line 4.
Did you receive any IRA distributions (withdrawals) in 1997?	No	▶	Enter the amount from line 3 on line 12. Then, stop and read When and Where To File below.								
	Yes	▶	Go to line 4.								
4 Enter only those contributions included on line 1 that were made during 1/1/98-4/15/98. This amount will be the same as line 1 if all of your nondeductible contributions for 1997 were made in 1998 by 4/15/98. See instructions	4										
5 Subtract line 4 from line 3	5										
6 Enter the total value of ALL your IRAs as of 12/31/97 plus any outstanding rollovers. See instructions	6										
7 Enter the total IRA distributions received during 1997. Do not include amounts rolled over before 1/1/98. See instructions	7										
8 Add lines 6 and 7	8										
9 Divide line 5 by line 8 and enter the result as a decimal (rounded to two places). Do not enter more than "1.00"	9	×	.								
10 Multiply line 7 by line 9. This is the amount of your nontaxable distributions for 1997	10										
11 Subtract line 10 from line 5. This is the basis in your IRA(s) as of 12/31/97	11										
12 Add lines 4 and 11. This is your total IRA basis for 1997 and earlier years	12										
Taxable Distributions for 1997											
13 Subtract line 10 from line 7. Enter the result here and on Form 1040, line 15b; Form 1040A, line 10b; or Form 1040NR, line 16b, whichever applies	13										

Sign Here Only if You Are Filing This Form by Itself and Not With Your Tax Return	Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.	
▶	Your signature	▶
		Date

General Instructions

Section references are to the Internal Revenue Code.

A Change To Note

Beginning in 1997, SIMPLE IRAs are available to employees of small employers. **Do not** include contributions to a SIMPLE IRA on line 1. However, if you received any IRA distributions in 1997, you **must** include the value of your SIMPLE IRA on line 6.

Purpose of Form

- Use Form 8606 to:
- Report your nondeductible IRA contributions,
 - Figure the basis in your IRA(s), and
 - Figure the taxable part of any distributions you received in 1997 if you have ever made nondeductible contributions.

Your **basis** is the total of all your nondeductible IRA contributions minus the total of all nontaxable IRA distributions received. It is to your advantage to keep track of your basis because it is used to figure the nontaxable part of future distributions.

Note: To figure your deductible IRA contributions, see the Instructions for Form 1040, or Form 1040A, whichever applies.

Who Must File

- You must file Form 8606 if:
- You made nondeductible contributions to your IRA for 1997, or
 - You received IRA distributions in 1997 and you have ever made nondeductible contributions to any of your IRAs.

What Records Must I Keep?

To verify the nontaxable part of distributions from your IRA, keep a copy of this form together with copies of the following forms

and records until all distributions are made from your IRA(s):

- Page 1 of Forms 1040 (or Forms 1040A, 1040NR, or 1040-T) filed for each year you make a nondeductible contribution.
- Forms 5498 or similar statements received each year showing contributions you made.
- Forms 5498 or similar statements received showing the value of your IRA(s) for each year you received a distribution.
- Forms 1099-R and W-2P received for each year you received a distribution.

When and Where To File

Attach Form 8606 to your 1997 Form 1040, 1040A, or 1040NR.

If you are required to file Form 8606 but you are not required to file an income tax return, you still **must** file Form 8606. Send it to the Internal Revenue Service at the same time and place you would otherwise file Form 1040, 1040A, or 1040NR.

Penalty for Not Filing

If you are required to file Form 8606 but do not do so, you will have to pay a \$50 penalty for each failure to file this form unless you can show reasonable cause.

Penalty for Overstatement

If you overstate your nondeductible contributions for any tax year, you must pay a \$100 penalty for each overstatement unless it was due to reasonable cause.

Additional Information

For more details on nondeductible contributions, IRA basis, and distributions, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

Amending Form 8606

After you file your return, you may change a nondeductible contribution made on a prior year's return to a deductible contribution or vice versa. To do this, complete a new Form 8606 showing the revised information and attach it to **Form 1040X**, Amended U.S. Individual Income Tax Return. Send both of these forms to the Internal Revenue Service Center for your area as shown in the Form 1040X instructions.

Specific Instructions

Caution: *If you received an IRA distribution in 1997 and you also made IRA contributions for 1997 that may not be fully deductible because of the income limits, you need to make a special computation before completing this form. For details, including how to complete Form 8606, see **Tax Treatment of Distributions** in Chapter 5 of **Pub. 590**.*

Name and Social Security Number

If you file a joint return on Form 1040 or Form 1040A, enter the name and social security number of the spouse whose IRA information is shown.

Line 1

If you used the IRA Deduction Worksheet in the Form 1040 instructions, follow these instructions to figure the amount to include on line 1 of Form 8606.

- Subtract the amount shown on line 10 of the worksheet from the **smaller** of the amount shown on line 8 or line 9 of that worksheet. Enter on line 1 of Form 8606 the part of the result that you choose to be nondeductible.
- If you choose not to deduct the full amount shown on line 10 of the worksheet, subtract the amount you are deducting from the amount on line 10. Enter the result on line 1 of Form 8606. You cannot take a deduction for the part included on line 1.
- If you are married filing a joint return and the amount on line 8 of the worksheet was less than \$4,000, enter on line 1 of Form 8606 any nondeductible contributions from the appropriate lines of the IRA worksheet in **Pub. 590**.

If you used the IRA Deduction Worksheet in the Form 1040A instructions, follow these instructions.

- Subtract the amount shown on line 8 of the worksheet from the **smaller** of the amount shown on line 6 or line 7 of that worksheet.

Enter on line 1 of Form 8606 the part of the result that you choose to be nondeductible.

- If you choose not to deduct the full amount shown on line 8 of the worksheet, subtract the amount you are deducting from the amount on line 8. Enter the result on line 1 of Form 8606. You cannot take a deduction for the part included on line 1.
- If you are married filing a joint return and the amount on line 6 of the worksheet was less than \$4,000, enter on line 1 of Form 8606 any nondeductible contributions from the appropriate lines of the IRA worksheet in **Pub. 590**.

If none of your contributions are deductible, you may choose to make nondeductible contributions up to \$2,000 (but not more than your earned income). If you are married filing a joint return and your earned income is less than your spouse's, your nondeductible contributions cannot be more than the total of your and your spouse's earned income. Enter on line 1 of Form 8606 your contributions that you choose to make nondeductible.

Line 2

If this is the first year you are required to file Form 8606, enter zero. Otherwise, use the chart below to find the amount to enter on line 2.

IF the last Form 8606 you filed was for. . .	THEN enter on line 2. . .
A year after 1992	The amount from line 12 of the last Form 8606 you filed
A year after 1988 but before 1993	The amount from line 14 of the last Form 8606 you filed
1988	The total of the amounts on lines 7 and 16 of that Form 8606
1987	The total of the amounts on lines 4 and 13 of that Form 8606

Line 4

If you made contributions in 1997 and 1998 that are for 1997, you may choose to apply the contributions made in 1997 first to nondeductible contributions and then to deductible contributions, or vice versa. But the amount on line 1 minus the amount on line 4 cannot be more than the IRA contributions you actually made in 1997.

Example. You made contributions of \$1,000 in 1997 and \$1,000 in 1998 of which \$1,500 are deductible and \$500 are nondeductible. You choose \$500 of your contribution in 1997 to be nondeductible. In this case, the \$500 would be entered on line 1, but not on line 4, and would become part of your basis for 1997.

Line 5

Although the 1997 IRA contributions you made during 1/1/98–4/15/98 (line 4) can be treated as nondeductible for purposes of line 1, they are not included in your basis for purposes of figuring the nontaxable part of any distributions you received in 1997. This is why you subtract line 4 from line 3.

Line 6

Enter the total value of **ALL** your IRAs (including SIMPLE IRAs) as of 12/31/97 **plus** any outstanding rollovers. You should receive a statement by 2/2/98 for each IRA account showing the value on 12/31/97. A **rollover** is a tax-free distribution from one IRA that is contributed to another IRA. The rollover must be completed within 60 days of receiving the distribution from the first IRA. An **outstanding rollover** is any amount distributed to you from one IRA within 60 days of the end of 1997 (between Nov. 2 and Dec. 31) that you did not roll over to another IRA by 12/31/97, but that you roll over to another IRA in 1998 within the normal 60-day rollover period.

Line 7

Do not include on line 7:

- Distributions received in 1997 and rolled over to another IRA by 12/31/97,
- Outstanding rollovers included on line 6,
- Contributions under section 408(d)(4) returned to you on or before the due date of the return, or
- Excess contributions under section 408(d)(5) returned to you after the due date of the return.

Line 11

This is the total of your nondeductible IRA contributions made in 1997 and earlier years minus the total of any nontaxable IRA distributions received in those years.

Line 12

This is the total of your IRA basis as of 12/31/97 and any nondeductible IRA contributions for 1997 that you made in 1998 by 4/15/98.

This amount will be used on Form 8606 in future years if you make nondeductible IRA contributions or receive distributions.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 26 min.; **Learning about the law or the form**, 7 min.; **Preparing the form**, 21 min.; and **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

