

## **NJA-2020-02 Handling 1099-R Distributions**

### **Background:**

There are two new special provisions related to Retirement Account distributions on federal returns for TY2020:

- Recontribution of RMD Amounts
- Form 8915-E for COVID affected individuals

Unfortunately, NJ decided not to implement these special provisions. As a result, some situations involving these special provisions will require complex adjustments for the NJ return which preparers have not been trained to handle.

TaxSlayer has added a new screen for 1099-Rs to handle the 8915-E provision. Due to the way this screen is worded and the potential need to make complex adjustments for the NJ return we are providing special instructions for this screen.

This document describes when preparers can safely prepare a return using their current training and when they will need seek expert help.

To seek help send an email to the NJ Special Help Team [TaxVolHelpNJ@GMail.com](mailto:TaxVolHelpNJ@GMail.com)


## NJA-2020-02 Handling 1099-R Distributions

### Instructions for new 1099-R / 8915-E related TSO Screen

After every 1099-R there is a new screen that comes up:

FORM 8915-E

## Qualified 2020 Disaster Retirement Plan Distributions and Repayments

 **Coronavirus is a qualified Disaster**  
If you withdrew from a retirement account due to coronavirus-related event, select YES.

Did you make an early withdrawal from a retirement account due to a qualified disaster? \*

Yes

No

If payee is not a qualified COVID affected individual (see p4012, page D-35) then answer No and click CONTINUE.

If payee is a qualified COVID affected individual, then see the section for Provision #2.

**Note:** If you have already prepared a return where you answered Yes to the question on this screen, then you probably did not make the appropriate adjustments on the NJ return – Seek Help ([TaxVolHelpNJ@GMail.com](mailto:TaxVolHelpNJ@GMail.com)).

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### Provision #1: Recontribution of RMD Amounts

- The Required Minimum Distribution (RMD) is waived for TY2020
- Any part of RMD already distributed can be recontributed (to same or different account) by Aug. 31, 2020.

#### References:

- Gale's What's New Deck: Slide 16: IRAs/Qualified Retirement Plans – Required Minimum Distributions (RMDs)
- Pub 4012: page D-32

There will probably be no indication in the documents provided by taxpayers that they repaid any of their RMD in 2020. Please always ask any RMD recipient if they paid any of it back.

#### RMD Decision Tree

Step	Question	Action
1	Was TP (or SP) subject to RMD for 2020 [at least 70½ and had retirement account(s) – IRA, 401(k), 403(b), etc.]	Yes: go to Step 2 No: RMD rules do not apply
2	Did TP (or SP) take RMD distribution(s) from any of their retirement accounts? [direct rollovers (code G) do not count]	Yes: go to Step 3 No: RMD not required in 2020 – all ok
3	Did TP (or SP) recontribute all or some of their RMD distribution(s)?	Yes: go to Step 4 No: RMD rules do not apply – handle any RMD distributions as usual
4	Did TP (or SP) recontribute before or after the August 31 deadline?	Before: go to Step 5 After: <b>Seek Help (probably OOS)</b> <a href="mailto:TaxVolHelpNJ@GMail.com">TaxVolHelpNJ@GMail.com</a>
5	Did all transactions meet old 60 day rollover rules?	Yes: Treat as regular rollover – no special handling for NJ No: go to Step 6
6	Is NJ-1040, line 29 (Gross Income) over the NJ filing threshold? (\$20,000 for MFJ, QW, HOH and \$10,000 for S, MFS)	Yes: <b>Seek Help – need special handling for NJ</b> <a href="mailto:TaxVolHelpNJ@GMail.com">TaxVolHelpNJ@GMail.com</a> No: File as-is – no tax due

## NJA-2020-02 Handling 1099-R Distributions

### Provision #2: Form 8915-E for COVID affected individuals

If qualified individual, then:

- Can use new form 8915-E to spread taxability over three years and/or recontribute (to same or different account)
- No penalty for early distributions

#### **References:**

- Gale's What's New Deck: Slides 8-13: IRAs/Qualified Retirement Plans – COVID-Related Distributions
- Pub 4012: pages D-35 and D-35.1
- [COVID Retirement Distribution Worksheet](#)
- [COVID Retirement from p4491x](#) (Alternative Worksheet)

See Worksheet or p4012, page D-35 for rules to qualify. (Note: If MFJ and one spouse qualifies, then other spouse will always qualify.)

If a person does qualify, then they must fill out the COVID Retirement Distribution Worksheet (possibly with our help). If both spouses had distributions, then both must fill out separate Worksheets and choices about spreading taxability and recontributions do not need to be the same. (Remember – we cannot provide advice about what choice(s) would be “best”.)

If a person qualifies as COVID affected and either a) wants to spread taxability over three years or b) wants to recontribute in 2020, 2021, or 2022, then the adjustments for the NJ return can be very complex – Seek Help ([TaxVolHelpNJ@GMail.com](mailto:TaxVolHelpNJ@GMail.com))

If a person qualifies as COVID affected but does not want to spread taxability or recontribute and 1099-R has Code 1 (early withdrawal) in Box 7, then the penalty is waived – just use the 5329 Screen to remove the penalty (Reason: 12 Other).