



WHY DOES PENCHECKS ISSUE IRS FORM 1099-R?

PenChecks is contracted by Institutions and Companies (Sponsors of Retirement Plans) to facilitate the disbursement of qualified retirement plan payments to current/former retirement plan participants. When a distribution is made from a qualified retirement plan, IRS Form 1099-R is required to be furnished to the Payee and any relevant taxing authority (Fed and State) to document that such a distribution actually took place. The Form 1099-R communicates, what type of distribution took place, if the distribution is taxable or not, the amount of any Federal or State Taxes withheld as a result of the distribution and much more.

IS THE 1099-R I RECEIVED FROM PENCHECKS?

If the 1099-R form you received is from PenChecks, PenChecks' name and contact information would appear in the upper left hand corner of the form as the Payer. In addition, PenChecks Tax ID number (33-6134835) would be listed as the Payer's Federal Identification Number on the form. If this information is not on the form 1099-R, then the 1099-R was not issued by PenChecks.

WHY DID I RECEIVE A FORM 1099-R FROM PENCHECKS?

You received IRS Form 1099-R as a result of your current or previous employer contracting with and authorizing PenChecks to facilitate and report a Direct Rollover or Lump Sum distribution or Tax Payment coming out of a qualified retirement plan. PenChecks is issuing Form 1099-R on behalf of the retirement plan as a result of a distribution from that plan to or on behalf of the plan participant. The Plan Name should be located on the second line of the Recipient's Name of form 1099-R.

WHY DID I RECEIVE TWO 1099-R'S?

Each time a Non-Periodic distribution takes place from a qualified plan, a 1099-R is required to be issued. Therefore, you may have taken a distribution from your retirement plan and directly rolled over a portion and took the remaining in cash. In this scenario, two 1099-Rs would be generated to reflect the Direct Rollover (Code G) and to reflect the Lump Sum (Code 1, 2, 4, or 7 etc). You may effectuate two rollovers during one year. In that case, you will receive two 1099-Rs, showing funds going from the plan to the rollover institution. Another common occurrence is the case of an outstanding loan that is "Offset" or not paid back when a direct rollover takes place. Unless the loan is transferred and accepted by a new employer, (a very rare occasion), this loan essentially becomes a taxable distribution. Therefore, you receive a 1099-R for the Direct Rollover and a 1099-R for the Loan that is offset.

WHAT DO I DO WITH FORM 1099-R?

Take the form to your tax preparer. If you do your taxes on your own, the tax preparation software will ask if you received any distributions from a qualified retirement plan evidenced by IRS Form 1099-R.

IS MY DISTRIBUTION TAXABLE? / WILL I OWE TAXES IF I RECEIVED FORM 1099-R?

In all respects, PenChecks cannot provide legal / tax advice and each person must consult with their tax preparer to obtain sound legal advice as to the taxability of the distribution. Having said that, there are some general guidelines: If the distribution IS taxable, the taxable amount will be reported in Box 2a. If it is undetermined whether a portion or all of the distribution is taxable, box 2b will be checked "Taxable Amount Not Determined". Generally speaking, if the Distribution Code (Box 7) is code G and the Taxable Amount (Box 2a) is zero or blank, then the distribution is a Direct Rollover and NOT taxable. You still may be required to report the distribution on IRS Form 1040 as a Non-Taxable Retirement Plan Distribution.



I NEVER RECEIVED A CHECK, WHY DID I RECEIVE A 1099-R?

Most likely, if box 7 shows a code G and the Account Number Box says "BP DMP IRA" then you were missing or non-responsive to requests to move your retirement account from a previous employer or terminated retirement plan. As a result, your current/previous employer established a Safe Harbor Default / Missing Participant IRA on your behalf. If this is the case please call us toll-free 1-800-541-3938 to put you back in touch with your funds.

Alternatively, PenChecks may have been contracted by your current/previous employer to just report a distribution, tax payments and/or Default on a loan that transpired during the tax year.

WHAT IF SOMETHING IS INCORRECT ON THE FORM 1099-R?

Please call our office, 1-800-541-3938 and we will take the change request over the phone. Minor changes such as address change, typos, misspellings can be changed quickly and a "Corrected" 1099-R will be sent to you after the change has taken place. Other more significant change requests can still be taken, but PenChecks most likely will consult with the Plan Sponsor that provided the original information to PenChecks or require you to provide documentation to substantiate the modification. Such changes would be a change in the taxable amount, change in the Distribution Code, name change, major SSN correction, etc.

WHEN DOES PENCHECKS TRANSMIT THE 1099-R INFORMATION TO THE IRS?

At the end of March, PenChecks will electronically transmit the information to the IRS. This provides sufficient time to make any necessary corrections and ensures that the IRS is receiving the most accurate information. Any corrections to 1099-R data after March can be made but it will be classified at that point as an official correction to the original IRS filing.

I NEVER RECEIVED MY 1099R; IT WAS DAMAGED OR I MOVED

Please call our toll free number (800) 541-3938 and we will forward another copy to you.

WHERE IS THE STATE TAX CODE?

The State Tax Code will be located in Box 11. Box 11 will show the applicable state that the distribution has been reported to, as well as PenChecks' withholding account number, next to the state abbreviation. If you don't have a code in that box, then nothing was reported to that state (i.e. Texas, Tennessee, Wyoming, Nevada).

WHAT DOES THE DISTRIBUTION CODE IN BOX 7 MEAN?

A brief description of each distribution code is on the back of the Form 1099-R. Here is a brief description of the most widely used codes:

- G - Direct Rollover Distribution from a Qualified Plan Non-Roth Account
- H - Direct Rollover Distribution from a Qualified Roth Account to a Roth IRA
- 1 - Early Distribution (Under Age 59.5), no known exception - Subject to 10% Penalty
- 2 - Early Distribution (Under Age 59.5), exception applies
- 3 - Disability
- 4 - Death
- 7 - Normal Distribution (Over Age 59.5)
- Q - Qualified Distribution from a Roth IRA