



Issue Number: TT-2009-36

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Top Ten Facts about Taking Early Distributions from Retirement Plans

If you took an early distribution from your retirement plan, here are some things you need to know:

1. Payments you receive from your Individual Retirement Arrangement before you reach age 59 ½ are generally considered early or premature distributions.
2. Early distributions are usually subject to an additional 10 percent tax.
3. Early distributions must also be reported to the IRS.
4. Distributions you rollover to another IRA or qualified retirement plan are not subject to the additional 10 percent tax. You must complete the rollover within 60 days after the day you received the distribution.
5. The amount you roll over is generally taxed when the new plan makes a distribution to you or your beneficiary.
6. If you made nondeductible contributions to an IRA and later take early distributions from that same IRA, the portion of the distribution attributable to those contributions is not taxed.
7. If you received an early distribution from a Roth IRA the distribution attributable to contributions is not taxed.
8. If you received a distribution from any other qualified retirement plan, generally the entire distribution is taxable unless you made after-tax employee contributions to the plan.
9. There are several exceptions to the additional 10 percent early distribution, such as when the distributions are used for purchase of a first home, certain medical and educational expenses or if you become disabled. Other exceptions can be found in IRS Publication 590, Individual Retirement Arrangements (IRAs).
10. More information about early distributions from retirement plans and the additional 10 percent tax can be found in IRS Publication 575, Pension and Annuity Income and Publication 590, Individual Retirement Arrangements (IRAs). Both publications are available on IRS.gov or by calling 800-TAX-FORM (800-829-3676).