



Congressional Budget Office

Background Paper

The Taxation of Distributions from Retirement Savings Plans

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Preface

This paper investigates how distributions from employment-based and individual retirement plans are made and taxed, focusing on a snapshot from 1997. In that year, only about half of distributions fit the usual stereotype of a pension, that is, a regular payment received after retirement. The rest were rolled over to other retirement accounts or withdrawn for reasons other than retirement. Of distributions that were not rolled over, around two-thirds came from defined benefit plans. Just over 10 percent of distributions were from funds contributed on an after-tax basis and therefore not subject to tax upon withdrawal. Recipients of government pensions relied more heavily on the pensions for income than any other group, probably because many did not participate in the Social Security system.

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A handwritten signature in cursive script, reading "Douglas Holtz-Eakin".

Douglas Holtz-Eakin
Director

April 2004

Introduction

This paper is a companion to the Congressional Budget Office (CBO) Paper titled “Utilization of Tax Incentives For Retirement Saving.” That document focused on the front end of the tax incentives; i.e. when the contributions are made to a retirement savings plan. This document investigates the back end; i.e., when the savings are withdrawn by or distributed to participants. Specifically, the paper addresses how retirement plan distributions are made and taxed, how much distributions from different types of plans contribute to the disposable and taxable income of recipients, and how important retirement plan distributions are as a source of income to those recipients.

This study utilizes a database constructed with tax return information from Forms 1040 and 1099-R and pension plan information from Form 5500. With that database it is possible to estimate how gross, taxable, and disposable retirement plan distributions break down by form of distribution (i.e., partial or total) and type of distribution (e.g., regular, early, disability, and rollover).¹ It also facilitates a summary of the prevalence and characteristics of a variety of plan types (e.g., individual retirement account, defined benefit, 401(k), and other defined contribution). The database also includes other sources of income, such as Social Security benefits, wages, interest, and dividends to permit an analysis of the relative importance of retirement plan distributions to different age groups.

1. “Disposable” distributions are those that available for recipients to spend. Amounts transferred from one account to another or paid to the government as taxes are included in gross distributions but are not considered disposable.

How Retirement Plan Distributions Are Made and Taxed

Retirement plans are designed to provide people with a stable source of income after they retire, so it is natural to think of pension and annuity payments in that way. The stereotypical retirement plan distribution is a series of equal or indexed annuity payments that extend over the life of the retiree (and, often, that of a secondary beneficiary). In 1997, however, less than half of gross pension distributions reported on Form 1099-R (or implied by Form 1040) conformed to that general pattern.² Some payments differed in “form” because they were not periodic. Others differed in “type” because they were made for purposes other than retirement at the normal age.

Form of Distribution

Payments that conform to the stereotypical retirement plan distribution are classified as “partial distributions” on Form 1099-R. Partial distributions need not, however, be in the form of equal or indexed annuity payments. Some employers permit withdrawals from a defined contribution (DC) plan to be made over a fixed period of time, or in equal amounts until funds are exhausted. Discretionary withdrawals from individual retirement accounts (IRAs) of amounts less than the account balance are also classified as “partial distributions.” For purposes of this paper, however, all partial distributions are deemed to conform to the stereotypical pattern, at least in terms of form.

2. Distributions reported on the “pensions and annuities” line of Form 1040 may come from a plan that is technically neither a pension nor an annuity. Nevertheless, such distributions are referred to in this paper as “pension” distributions to conveniently distinguish them from IRA distributions, which are reported on a separate line. The term “retirement plan distributions” encompasses both lines.

The alternative to partial distributions—total distributions—are more commonly known as “lump-sum distributions.” Most such distributions are made upon changing employers or upon retirement in lieu of an annuity. In 1997, 79 percent of lump-sum pension distributions were rolled over to an IRA, to another qualified plan, or to another annuity and thus could not affect the recipient’s current standard of living.³ A much smaller percentage (less than 10 percent) of partial distributions were also rolled over. Research using similar data from 1995 indicated that large lump sum distributions were more likely to be rolled over than were small ones.⁴ Furthermore, small distributions were much more common than large ones. Hence, although most of the funds distributed as lump sums were rolled over, most recipients of lump sum distributions did not roll them over.

In 1997, approximately 70 percent of all pension distributions were classified as partial (see Table 1). Of those, 70 percent were made pursuant to normal retirement (hence, 49 percent of all distributions—less than half—conformed to the stereotypical pattern). Of pension distributions that were not rolled over, however—in other words, those leaving the retirement savings system and thus becoming available for consumption—approximately 70 percent conformed to the stereotypical pattern. IRA distributions are somewhat less likely to conform to that pattern than are pension distributions—only 45 percent of all distributions and 59 percent of nonrollover distributions.

3. Section 1035 exchanges are separately identified on Form 1099-R but are the equivalent of a rollover for nonqualified annuities; i.e., those that are purchased by individuals directly from insurance companies.

4. Sabelhaus, John, and David Weiner, “Disposition of Lump-Sum Pension Distributions: Evidence From Tax Returns,” *National Tax Journal*, vol. 52 (September, 1999), pp. 593-613.

Type of Distribution

Payments that conform to the stereotypical retirement plan distribution are classified as “regular distributions” on Form 1099-R. Regular distributions are those made pursuant to retirement at or above the normal retirement age. Several other types of distribution are identified on Form 1099-R, including disability benefits, death benefits, “early” distributions (that is, those made prior to age 59½ for reasons other than the disability or death of the primary beneficiary), and rollovers. To encourage people to hold their savings until retirement, certain early distributions are subject to a 10 percent penalty tax. Other early distributions, however, are made for reasons that Congress has chosen not to penalize. Form 1099-R distinguishes between early distributions that are subject to penalty tax and those that are not. The same set of type codes is used for IRAs and pensions.

Regular distributions constituted just over half of both pension and IRA distributions in 1997 (see Figures 1 and 2). In spite of the recent shift away from defined benefit plans, such plans remain the source of the vast majority of regular retirement plan distributions. Government plans accounted for the biggest share—43 percent, but private defined benefit plans also claimed a 24 percent share (see Table 2). Only 9 percent of taxable regular distributions came directly from defined contribution plans, although another 16 percent came from IRAs (which receive most of their funds from rollovers from defined contribution plans).

Disability benefits are paid to retirees who have not yet reached the normal retirement age, but cannot work because of a disabling physical or mental condition. Although disability benefits are also paid by the Social Security Administration, only those paid by

employment-based plans and IRAs are covered here. In 1997, they constituted approximately 2 percent of pension distributions and less than 1 percent of IRA distributions. Very few such distributions were made in lump sums.

Disability benefits are very common among defined benefit plans, extending to 69 percent of participants in the private sector (in 2000), 97 percent of participants in state and local governments (in 1998), and all federal employees.⁵ However, plans may make eligibility for such benefits contingent on service of as much as 10 years for state and local employees and 15 years for private-sector employees. In 1997, over 80 percent of disability payments came from defined benefit plans and nearly half of those came from a single plan—the Civil Service Retirement System (CSRS), to which most civilian retirees of the federal government belong.

Defined-contribution plans and IRAs do not offer explicit disability benefits. Disabled individuals under age 59½ may, however, draw on their account balances without incurring penalty taxes. Occasionally, such withdrawals from IRAs and employer-funded DC plans are designated as disability payments on Form 1099-R, but withdrawals from 401(k) plans are almost never so designated.

Death benefits are paid to survivors of workers or retirees pursuant to provisions of a plan. Approximately 4 percent of distributions from both pensions and IRAs were classified as

5. Department of Labor, Bureau of Labor Statistics (BLS), *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2000*, p. 58; BLS, *Employee Benefits in State and Local Governments in 1998*, pp. 98.

death benefits in 1997. Nearly one-quarter of death benefits paid by pension plans were made as lump sums, as were nearly half of such benefits paid by IRAs.

Death benefits are almost universally provided by defined-benefit plans; they typically equal the amount that the survivor would have received had the employee retired instead of died at that time. In 1997, nearly 30 percent of death benefits were paid by the CSRS, with another 20 percent coming from other employment-based defined benefit plans. Nonqualified annuities—which frequently have a life insurance component—made up the next largest share at 27 percent.

Defined-contribution plans and most IRAs do not offer explicit death benefits. Upon the death of a participant, the balance in the account is transferred to his or her designated beneficiaries, who can withdraw it, regardless of their ages, without being subject to the penalty tax on early withdrawals. Such distributions are rarely designated as death benefits on Form 1099-R. Occasionally, however, IRAs are used to purchase annuities that contain explicit death benefits. Payments from such plans probably explain most of the 18 percent of death benefits coming from IRAs.

Early distributions not subject to penalty tax are typically, but not always, payments made as part of a fixed annuity to people who retire prior to age 59½ or a plan's normal retirement age, whichever is earlier. They constituted 4 percent of pension distributions and 2 percent of IRA distributions in 1997.

Fixed annuity payments are characteristic of defined benefit plans and most such plans (other than cash balance plans) have a provision allowing retirement prior to age 59½. Hence, such plans accounted for nearly three-quarters of early distributions not subject to penalty tax. The remaining quarter were generated by defined contribution plans and IRAs. Some of those may represent annuity payments—a minority of DC plans allow distributions to be made in that form and any IRA can be converted to an annuity prior to distribution. A significant share of early distributions not subject to penalty tax reported by DC plans and IRAs, however, probably represents payments to survivors or disabled retirees—categories that are tabulated elsewhere for defined benefit plans. Some may also have been used to cover medical expenses in excess of 7.5 percent of AGI, an exception to the penalty tax allowed for the first time in 1997. Exceptions for higher education expenses and first-time home purchases, however, were not available until 1998.

Early distributions subject to penalty tax constituted 5 percent of pension distributions and 15 percent of IRA distributions in 1997. In contrast to early distributions not subject to penalty tax, those subject to penalty tax came overwhelmingly from defined contribution plans. Such plans—particularly 401(k)s—often allow early withdrawals (usually for hardship reasons only) or loans. Penalty taxes apply when early withdrawals are made for reasons other than hardship, when the hardship is not one that qualifies for an statutory exemption from the penalty tax, or when a loan is not repaid on schedule. Withdrawals can be made from IRAs at any time (although loans are not permitted), and penalty taxes apply under largely the same conditions as 401(k)s. Together, IRAs and 401(k) plans generated 60 percent of distributions subject to penalty tax in 1997.

Other DC plans are less likely to allow early withdrawals or loans, and defined benefit plans allow neither. Most distributions subject to penalty tax from such plans are made in lump sums—possibly upon termination of a plan—and are not rolled over to an IRA or another qualified plan. Such plans accounted for another 13 percent of distributions subject to penalty tax. The remaining withdrawals subject to penalty tax were mostly from nonqualified annuities, which have to allow such withdrawals but frequently impose penalties in addition to the tax.

Rollovers occur when an employer or IRA administrator is instructed to transfer a distribution directly to an IRA or qualified plan. Most rollovers are lump-sum distributions, a form of distribution characteristic of DC plans and IRAs: 73 percent of rollovers came from such plans in 1997. The majority of qualified plan rollovers were from 401(k) plans (i.e., those that allow pre-tax contributions by participants) to IRAs, although employer-funded DC plans also generated a substantial amount of rollovers.⁶ Rollovers from one IRA to another were also significant.

The rollover designation on Form 1099-R does not identify all funds actually rolled over. Some regular and early distributions are paid to the recipients, who then deposit them in an IRA. Because the payer does not know how the recipient will dispose of the funds, it cannot identify them as rollovers on the 1099-R. Section 1035 exchanges, in which funds from one nonqualified annuity are used to purchase another, are identified separately on Form 1099-R. Such exchanges, however, are functionally rollovers and are counted as such in all of the tables in this paper.

6. There is evidence to suggest that many of the noncontributory plans generating rollovers may, in fact, be 401(k)s but are not identified as such on Form 5500.

Several minor types of distribution are identified on Form 1099-R, and sometimes preparers do not indicate the type. The most common other type is the Railroad Retirement distribution in excess of the Social Security equivalent. Every other type of plan also has some “other and unknown” distributions, but private defined benefit plans and 401(k)s had the most in 1997.

The Taxation of Distributions

All types of distributions except rollovers were potentially taxable in 1997. Furthermore, any given nonrollover distribution could be either fully or partially taxable. The reason that not all nonrollover distributions are fully taxable is that a portion sometimes represents the recovery of amounts contributed to the plan from after-tax wages, an amount commonly known as “basis.” Because it was taxed at the time of contribution, basis is exempt from tax upon withdrawal to avoid taxing it a second time.⁷ In general, basis is recovered proportionally over the life-expectancy of the beneficiary. If it is fully recovered during the life of the beneficiary, then all subsequent distributions are fully taxable. If unrecovered basis remains upon the death of the beneficiary, it may all be recovered on the decedent’s final tax return.

Basis recovery is most important for nonqualified annuities. All contributions to such annuities are after-tax and thus create basis to be recovered upon distribution. Most contributions to IRAs and qualified plans are pre-tax, and thus create no basis.

7. Note that basis does not include any earnings that accumulate in the plan as a result of after-tax contributions—only the original value of the contributions themselves.

Nevertheless, significant amounts of basis have accumulated in IRAs and qualified plans through exceptions such as the following:

- Limits on IRA deductibility since 1987 have resulted in the creation of “nondeductible IRAs,” the contributions to which are after-tax.
- Certain defined benefit (DB) plans, in contrast to the usual pattern, require after-tax contributions by employees.
- Many after-tax contributions to “thrift” plans—a precursor to 401(k)s—were rolled over into 401(k)s after pre-tax contributions were authorized.

Very few thrift plans remain in existence, and Roth IRAs—instituted in 1998—have virtually eliminated the nondeductible IRA. Therefore, little new basis is being created and its recovery will be less of a factor in the future.

Overall, approximately 63 percent of pension distributions and 67 percent of IRA distributions were taxable in 1997 (see Table 3). Of the nontaxable portion, basis recovery accounted for approximately 21 percent for pensions and 26 percent for IRAs. Most other nontaxable distributions were rollovers.

Disposable and Taxable Pension Distributions by Type of Plan

In 1977, almost 85 percent of private-sector workers who were covered by a retirement plan participated in a DB plan; 20 years later, fewer than half did.⁸ That shift has already affected the tax system in that it has changed the way in which tax incentives to contribute

8. Department of Labor, Pension and Welfare Benefits Administration, “Abstract of 1997 Form 5500 Annual Reports,” *Private Pension Plan Bulletin*, no. 10 (Winter 2001), Table E4, available at www.dol.gov/ebsa/programs/opr/oprpubs.htm.

to such plans are used. Published data are generally adequate for measuring the shift away from traditional DB plans and towards 401(k)-type plans with regard to contributions made and assets held. Ultimately, however, it is the distributions and withdrawals that affect retirees' well being, and published data are not adequate to determine how much each type of plan contributes to the disposable income of retirees and other pension beneficiaries. Furthermore, one cannot use published data to estimate the amount of taxable income generated by each type of plan. Data from Forms 1099-R, augmented by information from Forms 5500, however, provide sufficient information to generate such a breakdown.

Why Does the Type of Plan Matter?

In many senses, the type of plan from which a distribution or withdrawal is made is not important. The tax system does not care whether a distribution came from a DB or a DC plan because the law treats them the same way. Furthermore, funds from a DC plan can be spent by the recipient in exactly the same way as funds from a DB plan. The key difference between them is the degree of stability they typically offer. A person in a DB plan who retires can count on a certain nominal level of benefits for the rest of his or her life (and usually that of a spouse, albeit at a lower level). Only if the plan were to become insolvent and be taken over by the Pension Benefit Guaranty Corporation (PBGC) would there be any risk of benefits being reduced, and then only if benefits exceeded a certain maximum (\$3,579.55 per month for those retiring at age 65 in a plan terminating in 2002). Those in an indexed plan receive increasing amounts of nominal benefits over time and have the additional security of protection against the cost of inflation.

A person with an IRA or in a DC plan who retires has a great deal of flexibility with respect to how he or she will receive benefits. That flexibility allows retirees to establish (among other things) a level of stability comparable to that in a DB plan by purchasing an annuity, make large withdrawals in cases of emergency (or even just to enjoy life while still in good health), or continue to accumulate assets in hopes of increasing either future distributions or bequests to heirs. The last option presents the possibility that assets could decline in value rather than increase, which would lead to lower future distributions. Thus, the flexibility of DC plans and IRAs makes it difficult to predict the level of both taxable and disposable distributions. Breaking down distributions by type of plan, therefore, provides a sense of both how stable those payments are and how much flexibility their recipients have.

Defined Benefit Plans and Nonqualified Annuities

In 1997, 57 percent of retirement plan distributions reported on Forms 1099-R came from defined benefit plans. At first glance, that result might seem consistent with the share of retirement plan assets held in DB accounts—approximately 55 percent that year. In fact, however, DB plans accounted for a significantly higher share of both taxable and disposable retirement plan distributions—around 70 percent in both cases (see Figure 3). The percentage of assets in DB plans is lower than the percentage of distributions because assets in DB plans are distributed among age groups very differently than are assets in DC plans. A much higher percentage of DC plan assets is held by those not yet of retirement age. As workers participating in DC plans retire, however, larger and larger percentages of distributions will come from DC plans and IRAs.

When it comes to the stereotypical pension distribution discussed above (that is, an annuity payment to a retiree), DB plans generate an even higher share—over three-quarters. DB plans also generate a disproportionate share of death benefits, disability benefits, and other early distributions that are not subject to penalty tax.

Nearly one-quarter of distributions by DB plans are made by just two plans—the Military Service Retirement System (MSRS) and the Civil Service Retirement System. Another quarter are made by other government plans. The other half come from private employment-based plans and nonqualified annuities. How can public sector retirees account for half the distributions from DB plans when employment levels in the public sector have never approached those in the private sector? One factor is that virtually all government jurisdictions offer a DB plan; many private sector employers do not. Furthermore, the government plans have certain characteristics that increase their share of DB plan distributions. The most important are the following:

- All federal plans and most state and local plans use the highest three years of compensation when determining post-retirement benefit levels. Most private plans, in contrast, use the highest five years. Including those extra two years necessarily reduces the benefit from a private plan even if it is otherwise identical to a public plan.
- Public plans typically allow retirement with full benefits at a younger age than do private plans. Given identical life expectancies for public and private retirees, that feature would result in a percentage of retirees from the public sector that is higher than the corresponding percentage of employees had ever been.

- Unlike public plans, some private plans do not provide disability benefits. The concentration of disability benefits in public sector plans further increases their share of total distributions.
- Benefits from federal plans and about half of state and local plans are indexed for inflation. Benefits from private plans, in contrast, are rarely indexed. Hence, the share of benefits received by government retirees who retired in a given year will increase over time relative to that of private sector retirees who retired in that same year.
- Benefits from the CSRS and certain state and local plans are designed to replace Social Security benefits, not just to supplement them. Thus, the amounts reported on Form 1099-R are much higher than those from private-sector plans that, when combined with Social Security, provide the same level of retirement income.
- Private sector plans are more likely to allow distributions to be taken in a lump sum. That characteristic has little effect on the shares of gross distributions, but tends to reduce the share of taxable and disposable distributions because many of those lump sums are rolled over to IRAs. Rolled over funds are not counted as taxable or disposable until withdrawn from the IRA.

Since 1984, all new federal civilian employees have been enrolled in the Federal Employees Retirement System (FERS) instead of CSRS. That plan is designed to supplement Social Security rather than replace it, so its benefits are lower than those of CSRS. Furthermore, it is not fully indexed for inflation. Thus, as the number of federal retirees on FERS grows and the number on CSRS shrinks, federal civilian benefits could decline as a share of all DB distributions.

Another important trend that is not reflected in the 1997 data is the growth of cash balance plans, a relatively new form of DB plan. That trend will likely reduce the share of taxable and disposable benefits made by private DB plans. One of the main features of cash balance plans is their portability. Between 1996-97 and 2000, the percentage of private DB plans allowing lump-sum distributions nearly doubled (from 22 percent to 43 percent)—a direct result of the growth in cash balance plans.⁹ Many of those lump-sum distributions will be rolled over to IRAs or 401(k)s and will never be counted as taxable or disposable distributions from DB plans.

Defined Contribution Plans and Individual Retirement Accounts

Of the 43 percent of gross distributions not attributable to DB plans in 1997, over 60 percent were from defined contribution plans. The remainder were from IRAs. Those two sources of distributions, however, accounted for only 30 percent of taxable and disposable distributions. The split between DC plans and IRAs, however, was almost reversed; it was IRAs that accounted for nearly 60 percent of taxable and disposable distributions. The reason for that difference is that a majority of distributions from DC plans are rolled over to IRAs or other DC plans. Hence, they are neither taxable nor disposable. Some IRA distributions are rolled over to other IRAs also, but the percentage of gross distributions rolled over is much less than for DC plans. Furthermore, not all DC plans follow the same pattern in terms of types of distributions.

9. The 1996-97 figure was estimated using a weighted average of figures from Department of Labor, Bureau of Labor Statistics (BLS), *Employee Benefits in Small Private Establishments, 1996*, p. 72 and *Employee Benefits in Medium and Large Private Establishments, 1997*, p. 103. The 2000 figure comes from BLS, *National Compensation Survey: Employee Benefits in Private Industry, 2000*, p. 58.

Of defined contribution plans, 403(b) plans come the closest to conforming to the stereotypical pattern (see Table 4). Such plans have been used by nonprofit organizations since 1958 (and by public schools since 1961) to allow employees to make pre-tax contributions to their retirement plan. Although that feature resembles a 401(k), other features are more restrictive. For example, employees exercise much less control over their 403(b) investments than do typical 401(k) participants. Furthermore, lump-sum distributions are not permitted under such plans, nor, prior to the Economic Growth and Tax Reduction Reconciliation Act of 2001 (EGTRRA), were rollovers to qualified plans. Approximately 15 percent of distributions in 1997 were rolled over to IRAs, however. Overall, more than three-quarters of 403(b) distributions were taxable. Only 10 percent of taxable distributions were made for reasons other than normal retirement, and distributions subject to penalty tax were very rare.

401(k) plans were created in 1978 to allow employees of participating businesses to make pre-tax contributions to their retirement plan. Typically, 401(k) plans offer a great deal of flexibility in terms of how much to contribute, how to invest those contributions, and when to withdraw them. Of all the different types of retirement plan, the 401(k) plan's distribution pattern diverges most significantly from the stereotypical pattern. Two-thirds of 401(k) distributions in 1997 were made as lump sums. More than 70 percent (including some partial distributions) were rolled over to IRAs, and another 8 percent were nontaxable for other reasons. Of taxable distributions, less than half were made pursuant to normal retirement and over 40 percent were subject to penalty tax.

Other defined contribution plans do not allow pre-tax contributions by employees. Their distribution patterns are more similar to 401(k)s than to 403(b)s, but they do not diverge from the stereotypical pattern as extremely. Over half of such distributions in 1997 were made as lump sums and a similar percentage were rolled over to IRAs or other qualified plans. Overall, only 38 percent of distributions from such plans were taxable. Of those that were taxable, less than half were made pursuant to regular retirement and 28 percent were subject to penalty tax.

Individual retirement accounts were authorized in 1974 and have undergone many changes since then to allow most taxpayers to make pre-tax payments to a retirement plan without going through an employer's plan. Because IRAs could not be rolled over to qualified plans prior to EGTRRA, lump sum distributions and rollovers were not as common as in defined contribution plans. Only 30 percent of IRA distributions were made in the form of a lump sum and one-quarter of IRA distributions (including some partial distributions) were rolled over to another IRA. Overall, two-thirds of IRA distributions were taxable. Of taxable distributions, approximately 30 percent were classified as something other than "regular" for one reason or another, and 60 percent of those were subject to penalty tax.

Roth IRAs were not introduced until 1998, so they are not reflected in the 1997 data. Withdrawals from Roth IRAs are generally not taxable (in stark contrast with every other type of retirement plan) and thus bear close watching in the future. Approximately half of IRA contributions since 1998 have been to Roth IRAs, but Roth's have not yet built up enough assets to generate any significant withdrawals.

Retirement Plan Distributions as a Source of Income

Pension plans and IRAs are designed to defer consumption from one's working years until after retirement. Hence, it is useful to investigate the role distributions from such plans—which are intended to fund the deferred consumption—play for taxpayers of different age groups. We can also investigate which types of distributions are most important to their recipients.

Differences by Age Group

As taxpayers approach and then pass normal retirement age, the sources of their income change.¹⁰ The importance of retirement plan distributions grows relative to earnings, but so does the importance of other sources of income such as Social Security and investment earnings outside of retirement accounts. Retirement plan distributions to older recipients are also more likely to be classified as “regular,” and those regular distributions are more likely to come from private plans than are regular distributions to younger recipients.

Sources of Income. In 1997, retirement savings distributions accounted for only 2 percent of the income of taxpayers under age 60 (see Figure 4). As taxpayers age, the importance of income from retirement savings rapidly increases in importance. For taxpayers between the ages of 60 and 64, such distributions made up 18 percent of the income; for taxpayers age 65 and above, they accounted for just over one-quarter of total income. There was little difference, however, between those between the ages of 65 and 69 and those ages 70 and above. Note that these results apply only to taxpayers; they cannot be extrapolated to cover

10. By income, I mean cash flow which can fund consumption.

people who did not file tax returns. Such people tend to have very different income patterns than filers, typically relying less on income from retirement savings and more on Social Security.

Just as income from retirement savings increases in importance with age, earned income declines in relative importance. For taxpayers under age 60, earnings provided nearly 90 percent of total income. Between the ages of 60 and 64, however, the share drops to just over half, then to around 30 percent between ages 65 and 69, and to below 10 percent for age 70 and above.

The percentage of income coming from investments outside of retirement accounts increases with age, growing from 9 percent for taxpayers under 60 to 47 percent for taxpayers age 70 and above. That source of income, rather than Social Security or retirement plan distributions, offsets the reduced importance of earnings for taxpayers age 70 and over.

Social Security accounted for hardly any of the income of taxpayers under 60 and for only 6 percent of the income of taxpayers between 60 and 64—the group that includes those taking advantage of Social Security’s early retirement option. Above the normal Social Security retirement age of 65, the percentage of income coming from Social Security increased to 14 percent, and reached almost 18 percent for taxpayers age 70 and above.

Types of Distribution. Over 90 percent of all retirement plan distributions to taxpayers age 60 and over are regular distributions, with death and disability benefits accounting for most of the rest (see Figure 5). In contrast, over half of distributions received in 1997 by

taxpayers under 60 were early distributions, and nearly two-thirds of those distributions were subject to penalty tax. Death and disability benefits also accounted for a slightly higher percentage of distributions in the under 60 age group than in the 60 and over group.

Sources of Regular Distributions. Nearly three-quarters of regular distributions in 1997 to taxpayers under 60 were for military retirement (40 percent) or from other government plans (32 percent; see Figure 6). Distributions from private defined benefit plans accounted for somewhat more than half of the rest. Only 12 percent of regular distributions to taxpayers in that age group were from IRAs or defined contribution plans.

Regular distributions to taxpayers age 60 and above were more balanced. Nearly half came from government plans (less than 20 percent of which was military), with another fourth coming from private defined benefit plans. Of the remainder, distributions from IRAs were nearly twice as large as those from DC plans.

The Importance of Each Type of Distribution to Its Recipients

The different types of distributions from retirement plans provided varying shares of recipient's income with no single type accounting for as much as one-third of beneficiaries' total income. Regular distributions from government plans were the most important to their recipients in 1997, accounting for 31 percent of their incomes (see Figure 7). That result reflects the fact that many such retirees do not participate in the Social Security system and rely on their government pension to offset that.

Of recipients of regular distributions from private plans, those receiving distributions from defined benefit plans were more dependent on those distributions than were recipients of distributions from defined contribution plans. On average, distributions from defined benefit plans accounted for 23 percent of a recipient's total income, while distributions from a defined contribution plan made up 18 percent of a recipient's income. The importance of IRA distributions to their recipients was similar to that of defined contribution plans, averaging 17 percent of total income.

Of recipients of early distributions, the most dependent (at 24 percent of total income) were recipients of those that are not subject to penalty tax. The least dependent group (at just over 10 percent of total income) were recipients of early distributions from employment-based plans that are subject to the penalty tax. Recipients of early IRA distributions subject to penalty tax received approximately 15 percent of their income from that source. If exemptions from the penalty tax are intended to protect those who truly need the funds, those exemptions appear to be generally well targeted.

Dependence on death and disability benefits varied somewhat by age. For recipients under age 60, such benefits constituted only 17 percent of total income. For older recipients, however, death and disability benefits accounted for over one-quarter of total income.

Table 1. Pension and IRA Distributions in 1997 for Normal Retirement and Other Purposes by Form of Distribution

	Lump Sum Distributions	Partial Distributions	All Distributions
Pensions and Annuities			
Gross Distributions (millions of dollars)	123,984	290,515	414,499
Normal Retirement	2.2%	48.6%	50.8%
All Other	<u>27.7</u>	<u>21.5</u>	<u>49.2</u>
Total	29.9	70.1	100.0
Nonrollover Distributions (millions of dollars)	26,596	267,692	294,288
Normal Retirement	3.1%	67.2%	72.1%
All Other	<u>5.9</u>	<u>23.7</u>	<u>27.9</u>
Total	9.0	91.0	100.0
IRA Distributions			
Gross Distributions (millions of dollars)	23,379	58,137	81,515
Normal Retirement	6.1%	44.6%	50.7%
All Other	<u>22.6</u>	<u>26.6</u>	<u>49.2</u>
Total	28.7	71.2	100.0
Nonrollover Distributions (millions of dollars)	10,597	50,891	61,488
Normal Retirement	8.1%	59.3%	67.4%
All Other	<u>9.1</u>	<u>23.3</u>	<u>32.6</u>
Total	17.2	82.8	100.0

Source: CBO Tabulations of 1997 Information Returns

Numbers may not add up to totals due to rounding.

Table 2. Pension and IRA Distributions in 1997 by Type of Distributions and Type of Plan

Type of Distribution	Government Plans	Private DB Plans	Payments by Life			IRAs	All Retirement Plans
			Insurance Companies	DC Plans			
Amounts (millions of dollars)							
Regular Distributions	109,111	59,953	19,271	22,394	41,441	252,169	
Disability Benefits	7,016	1,605	0	1,380	458	10,459	
Death Benefits	8,042	1,880	5,328	1,084	3,546	19,880	
Early Distributions Not Subject to Penalty Tax	4,998	9,957	0	3,363	1,986	20,304	
Early Distributions Subject to Penalty Tax	1,156	1,343	4,456	15,123	12,213	34,291	
Other or Unspecified	<u>6,134</u>	<u>2,894</u>	<u>5,552</u>	<u>11,886</u>	<u>6,700</u>	<u>33,166</u>	
Subtotal, Nonrollovers	136,456	77,632	34,607	55,230	66,343	370,268	
Rollovers and Exchanges	<u>1,121</u>	<u>11,160</u>	<u>21,000</u>	<u>77,294</u>	<u>15,172</u>	<u>125,747</u>	
Total	137,576	88,792	55,607	132,524	81,515	496,014	
Percentages by Type of Plan							
Regular Distributions	43.3	23.8	7.6	8.9	16.4	100.0	
Disability Benefits	67.1	15.3	0.0	13.2	4.4	100.0	
Death Benefits	40.5	9.5	26.8	5.5	17.8	100.0	
Early Distributions Not Subject to Penalty Tax	24.6	49.0	0.0	16.6	9.8	100.0	
Early Distributions Subject to Penalty Tax	3.4	3.9	13.0	44.1	35.6	100.0	
Other or Unspecified	18.5	8.7	16.7	35.8	20.2	100.0	
All Nonrollover Distributions	36.9	21.0	9.3	14.9	17.9	100.0	
Rollovers and Exchanges	0.9	8.9	16.7	61.4	12.1	100.0	
All Types of Distribution	27.7	17.9	11.2	26.7	16.4	100.0	

Source: CBO Tabulations of 1997 Information Returns

Numbers may not add up to totals due to rounding.

Table 3. Taxable and Nontaxable Pension and IRA Distributions in 1997 by Type of Plan

	Pensions and Annuities					IRAs
	Government Plans	Private DB Plans	Payments by Life Insurance Companies	DC Plans	All Plans	
Amounts (millions of dollars)						
Gross Distributions to Filers	137,576	88,792	55,607	132,524	414,499	81,515
Basis Recovery	6,312	2,559	17,418	6,583	32,873	6,982
Rollovers and Exchanges	2,033	12,331	20,886	82,538	117,787	20,027
Other Nontaxable	<u>136</u>	<u>169</u>	<u>0</u>	<u>3,827</u>	<u>4,132</u>	<u>0</u>
Total Nontaxable Distributions	8,481	15,058	38,303	92,948	154,792	27,009
Taxable Distributions	129,095	73,736	17,304	39,576	259,711	54,507
Percentage of Gross Distributions						
Gross Distributions to Filers	100.0	100.0	100.0	100.0	100.0	100.0
Basis Recovery	4.6	2.9	31.3	5.0	7.9	8.6
Rollovers and Exchanges	1.5	13.9	37.6	62.3	28.4	24.6
Other Nontaxable	<u>0.1</u>	<u>0.2</u>	<u>0.0</u>	<u>2.9</u>	<u>1.0</u>	<u>0.0</u>
Total Nontaxable Distributions	6.2	17.0	68.9	70.1	37.3	33.1
Taxable Distributions	93.8	83.0	31.1	29.9	62.7	66.9

Source: CBO Tabulations of 1997 Information Returns

Numbers may not add up to totals due to rounding.

**Table 4. Taxable and Nontaxable Defined Contribution Plan and IRA Distributions in 1997
(Percentage of Gross Distributions)**

	Defined Contribution Plans			IRAs
	401(k) Plans	403(b) Plans	Employer- Funded Plans	
Gross Distributions to Filers	100.0	100.0	100.0	100.0
Basis Recovery	5.1	8.7	3.5	8.6
Rollovers	70.6	14.7	52.9	24.6
Other Nontaxable	<u>2.2</u>	<u>0.0</u>	<u>5.2</u>	<u>0.0</u>
Total Nontaxable Distributions	78.0	23.4	61.6	33.1
Regular Partial Distributions	8.4	68.7	16.9	42.4
Early Distributions Subject to Penalty Tax	9.5	2.0	10.7	12.1
Other Partial Distributions	2.3	5.9	8.1	6.2
Other Lump Sum Distributions	<u>1.9</u>	<u>0.1</u>	<u>2.6</u>	<u>6.2</u>
Taxable Distributions	22.0	76.6	38.4	66.9

Source: CBO Tabulations of 1997 Information Returns

Numbers may not add up to totals due to rounding.

Figure 1
Gross Pensions and Annuities by Type of Distribution

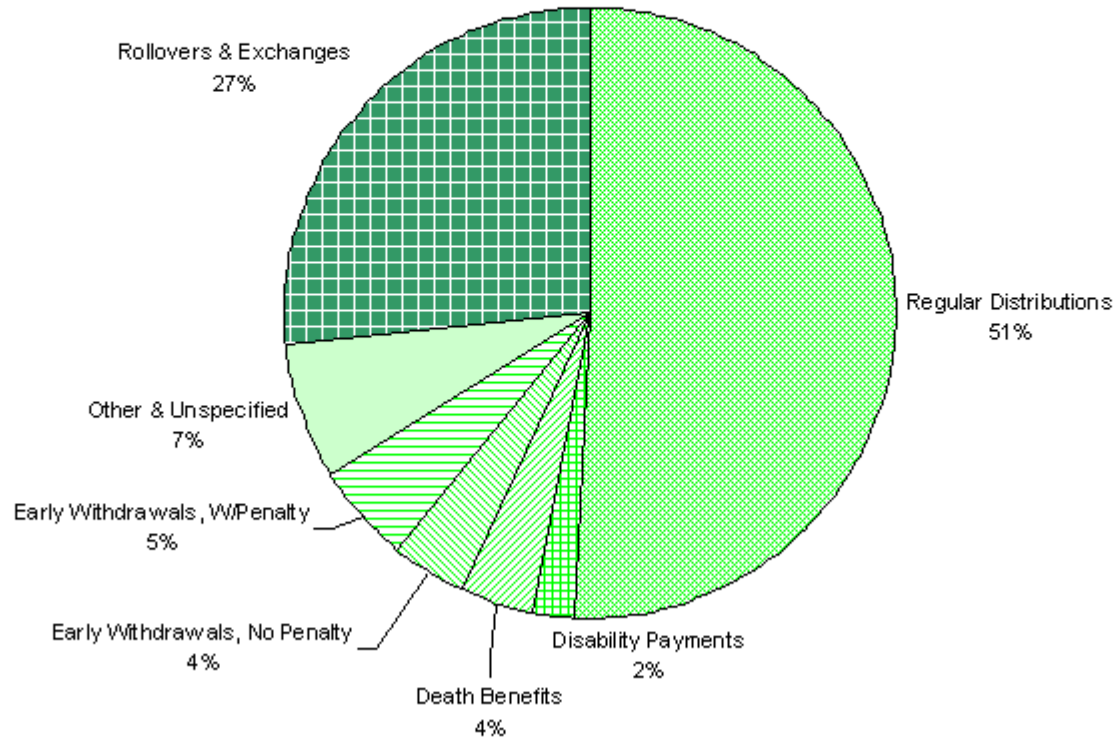


Figure 2
Gross IRA Distributions by Type of Distribution

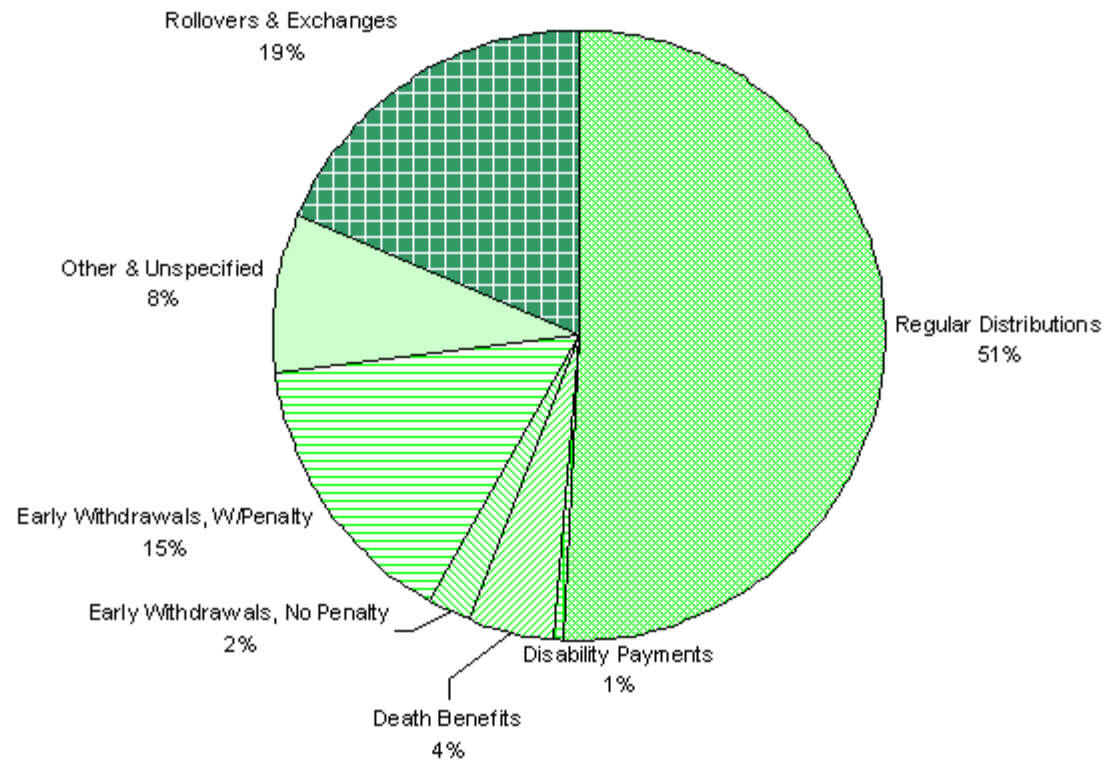


Figure 3
Nonrollover Retirement Plan Distributions by Type of Plan

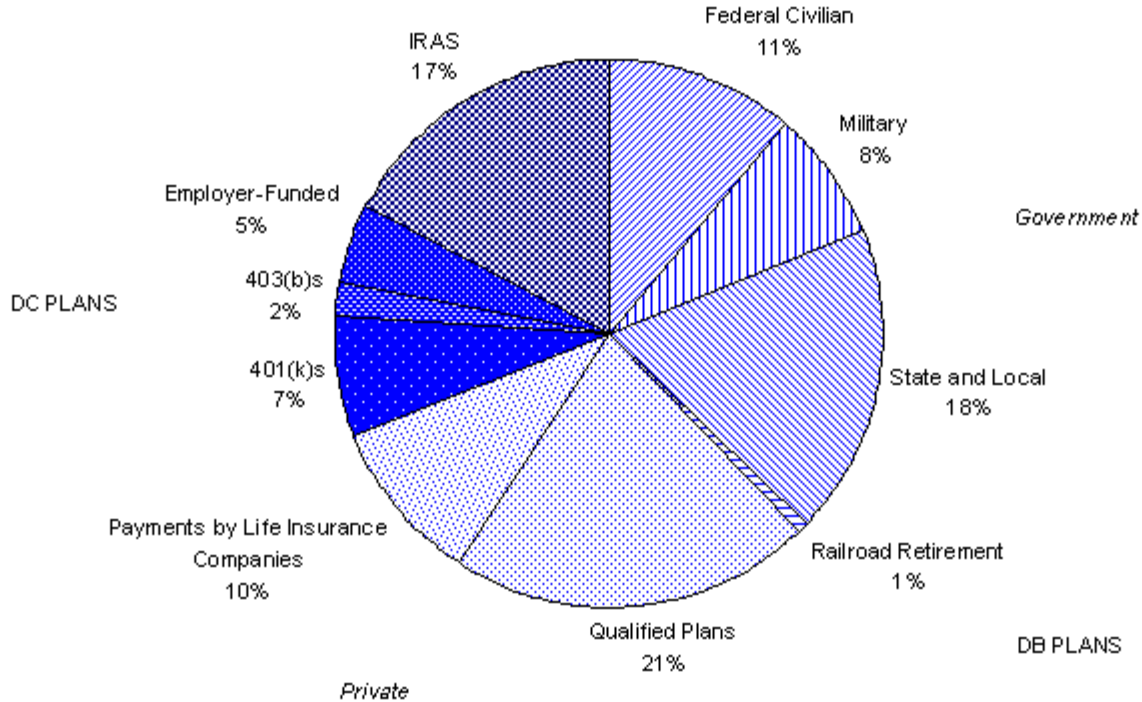


Figure 4
Sources of Income by Age Class
(Tax Filers Only)

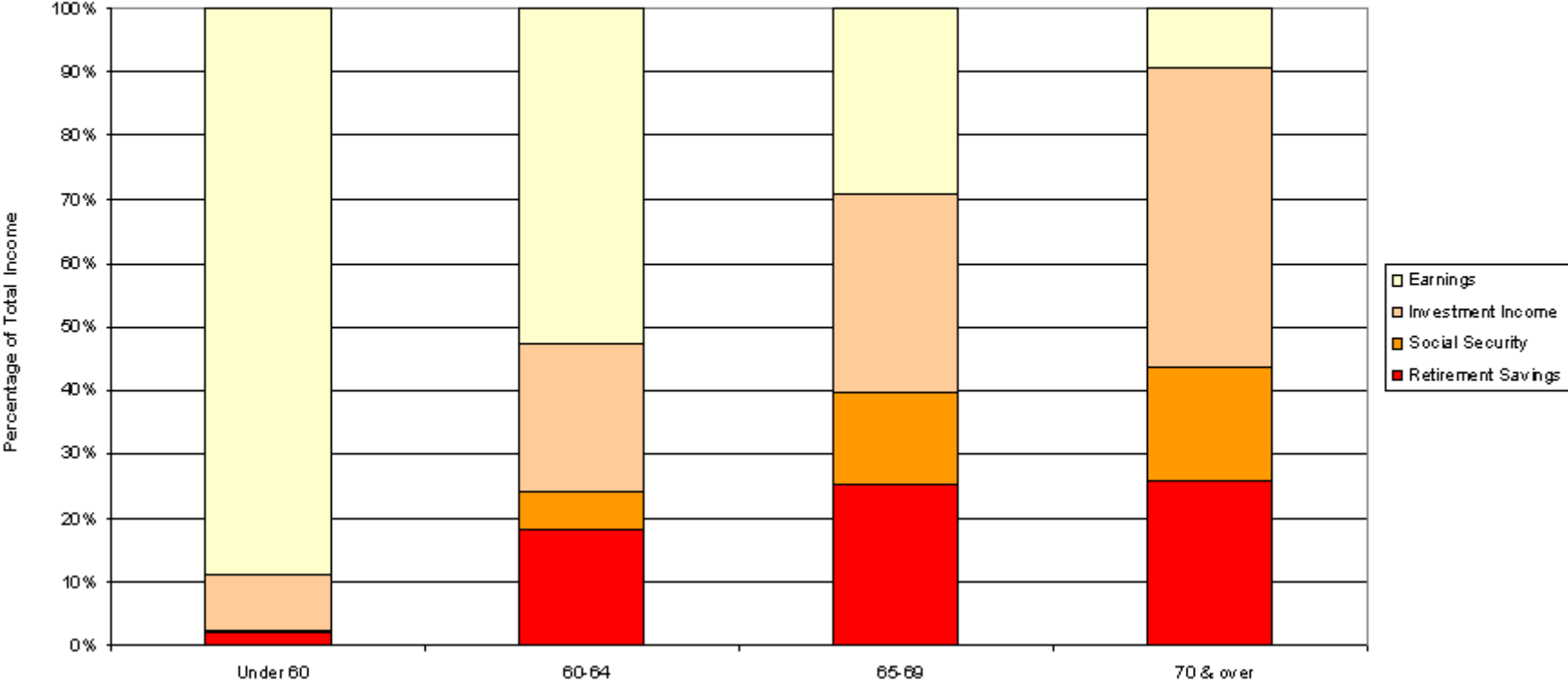


Figure 5
Nonrollover Distributions from Retirement Savings by Type and Age Group

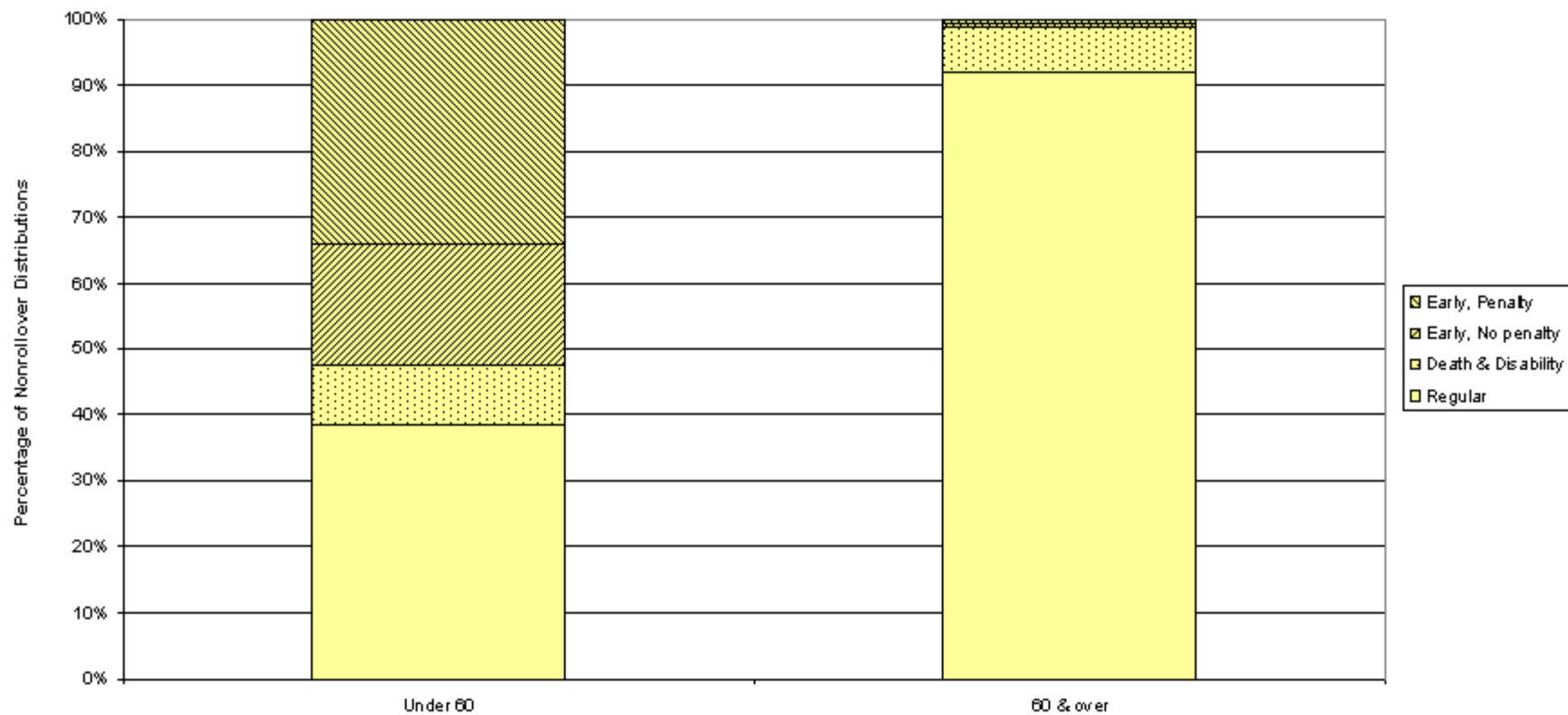


Figure 6
Regular Distributions by Type of Plan and Age Group

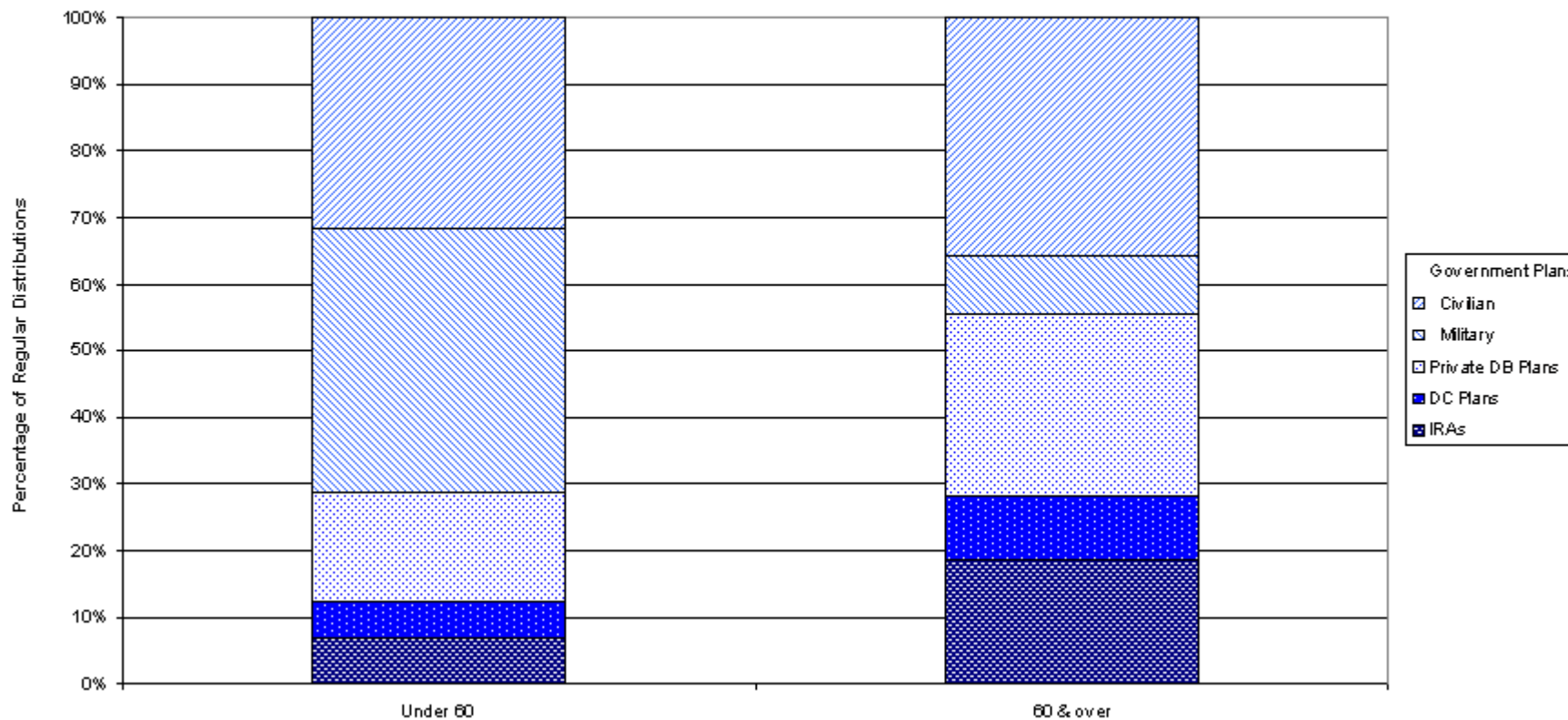
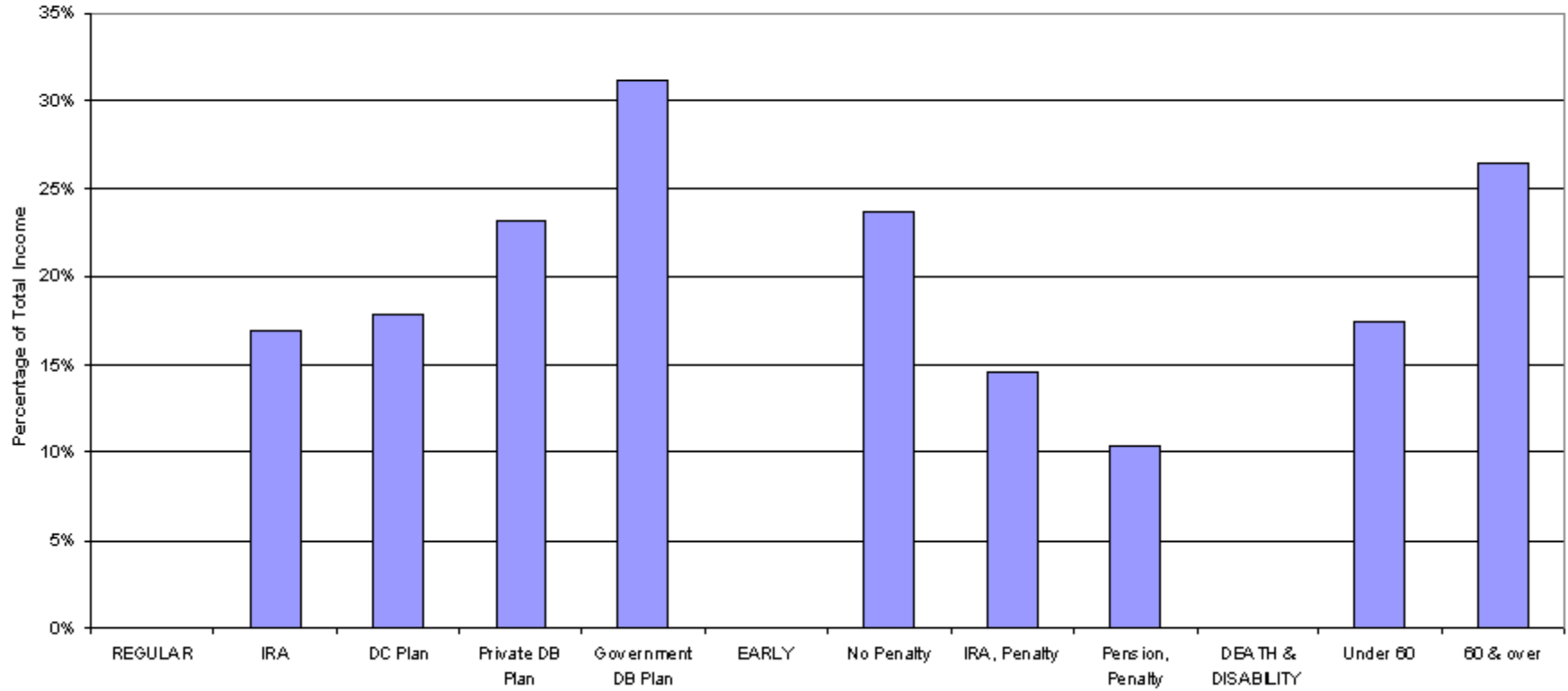


Figure 7
Income from Retirement Savings as a Percentage of Total Income
by Type of Distribution and Type of Plan



Appendix A: Compilation of the Database

No published source of data on pension distributions breaks down either taxable distributions or disposable distributions by type of plan. Microdata from Forms 1040, 1099-R, and 5500 however, contain most of the information necessary to construct a database that would accomplish that task. Form 1099-R reports amounts and characteristics of pension and IRA distributions. Form 5500 reports the characteristics and financial status of qualified retirement plans. Creating the database consisted of four distinct steps:

1. Matching amounts of retirement plan distributions on Forms 1099-R with amounts reported on a federal tax return and reconciling the differences,
2. Distinguishing between government plans (which were virtually all DB plans), and private plans (which could be either DB or DC),
3. Determining whether private plans were DB or DC plans, and
4. Deleting records for which a plan type could not be identified and reweighting the remaining records to represent the entire population.

Review of Published Data on Pension Distributions

Before evaluating the existing data sources, it is helpful to have working definitions of the two variables of interest: taxable distributions and nonrollover distributions. Simple definitions used in this paper are as follows:

- (1) Gross distributions
- less (2) Rollovers and Exchanges
- less (3) Basis Recovery

less (4) Otherwise taxable distributions received by nonfilers

equals (5) *Taxable distributions*

(1) Gross distributions

less (2) Rollovers and Exchanges

less (6) Otherwise disposable distributions received by nonfilers

equals (7) *Nonrollover distributions*

The Statistics of Income Division (SOI) of the Internal Revenue Service publishes only two figures per year for pensions and annuities: gross distributions of filers (line 1 minus line 4) and taxable distributions (line 5). It does not separately identify rollovers and basis recovery. Therefore, published SOI data cannot be used to estimate disposable distributions (line 7) even in the aggregate.

The Employee Benefits Security Administration (EBSA) publishes data from Form 5500 that break down gross distributions (line 1) made from private plans by type of plan. Similar figures are available for government plans from the Census Bureau (for state and local DB plans), the Office of Personnel Management (for federal civilian DB plans), and the Defense Finance and Accounting Service (for the military plan). None of those sources, however, contains any information on rollovers, basis recovery, or tax rates, so they are useful primarily as control totals for gross distributions. Furthermore, distributions from 403(b) plans are not covered by any of those sources.

Surveys such as the Current Population Survey (CPS), the Survey of Consumer Finances (SCF), and the Survey of Income and Program Participation (SIPP) ask respondents how much they receive from their retirement plans. The intent is to pick up pre-tax amounts of all distributions except rollovers and exchanges. Only the SIPP, however, makes any attempt to identify distributions specifically from 401(k) plans—approximately \$5 billion in 1995. Other types of DC plans, however, cannot be identified on the SIPP.

In the absence of adequate published data, it was necessary to use microdata from Forms 1040, 1099-R, and 5500 to construct a database that would allow breakdowns by type of plan. SOI generates a sample of Forms 1040 that is considered to be of exceptionally high quality because of the legal obligations surrounding the filing of tax returns, the large sample size (approximately 100,000 returns), and the extensive consistency checks performed by the IRS.

SOI also provides a file containing certain information returns, including Forms 1099-R, that were associated with the tax returns in the sample. Form 1099-R, prepared annually by pension and IRA administrators and sent to all recipients of distributions, reports their respective gross and taxable distributions, identifies whether they were total or partial distributions, and classifies them by type. Individuals receive one Form 1099-R for each pension or IRA from which they receive a distribution. The 1099-Rs are subject to the same legal obligations as the 1040s but have not undergone the same level of consistency checks that the 1040 data have. CBO devised its own protocol of data-cleaning procedures to render the file of 1099-Rs for tax year 1997 consistent with the data from the 1040 in the same year.

In some cases, the payer ID on Form 1099-R is sufficient to identify the type of plan from which a distribution was made. In other cases, however, the type of plan could only be identified by referring to the Form 5500 submitted by the payer to the EBSA. That form provides the government with extensive information on the financial status of the plan, and contains codes identifying the type of plan. CBO obtained the entire file of Forms 5500 for 1997 from EBSA.

Reconciling Distribution Amounts on Forms 1099-R With Those on Form 1040

The original file of 1099-Rs contained 71,233 forms. Of those, 776 were eliminated because they were for years other than 1997. Of the remainder, 698 were coded as amended or “amended original” returns. CBO developed a set of rules to determine when amended returns should be used in place of original returns. In general, amended returns were retained and original returns that had been amended were deleted. As a result of applying those rules, 444 records were deleted.

All 1099-Rs must indicate whether the distribution is from a pension or from an IRA. That classification was used to compare the gross and taxable amounts for pensions and IRA distributions on all of a taxpayer’s 1099-Rs with the corresponding fields on his or her 1040. If all four values from the combined 1099-Rs were within \$10 of the corresponding fields on the 1040, the records were deemed to be a match. Some nonmatches had obvious causes, such as amounts from an extra 1099-R not being included in the total reported on the 1040, or amounts being reported as pension distributions on one form but IRA distributions on the other. Several remedies were applied to correct those problems and achieve matches (see Table A-1).

No remedies were allowed to change the value of taxable pensions or taxable IRA distributions on Form 1040. Gross pension and gross IRA distributions on Form 1040 as well as all information on Forms 1099-R, however, were subject to modification to achieve matches.

One common problem was that amounts classified as pensions on Form 1099-R were reported on the IRA distributions line of Form 1040 or vice versa. Because taxable distributions on Form 1040 were always deemed to be correct, the codes on Form 1099-R were changed in 5,854 cases to achieve reconciliation.

A less common problem was reporting gross amounts from Form 1099-R as taxable on Form 1040. In 643 cases, reconciliation was achieved by replacing the taxable amount on the 1099-R with the gross distribution. In 195 other cases, replacing the gross amount with the taxable amount achieved reconciliation.

Other remedies utilized information on rollovers from Form 5498.¹¹ Payers who send out 1099-Rs may not know whether a distribution is going to be rolled over into an IRA or qualified plan and therefore be nontaxable. In such cases, they simply report the taxable amount to be the same as the gross amount and indicate in a specific box that the taxable amount has not been determined. Taxpayers who roll their distributions over properly report a lower amount of taxable distributions on Form 1040 than indicated on the Form 1099-R.

11. Forms 5498 are prepared annually by administrators of IRAs and sent to the accounts' owners to report their contributions, rollovers, and end-of-year balances. The processing of Forms 5498 is described in Appendix A of the CBO Paper titled "Utilization of Tax Incentives for Retirement Saving." Amended 5498s were handled in a manner similar to that of 1099-Rs, but no fields on Form 5498 correspond precisely to fields on Form 1040, so no reconciliation could be made.

If the rollover was made to an IRA, it should be identified on Form 5498. Rollover amounts from that form were used as follows:

1. When the taxable amounts from the 1099-Rs exceeded the taxable amounts on Form 1040, rollover amounts from Form 5498 were subtracted from taxable amounts on the 1099-Rs to see if they explained the discrepancy.
2. When the gross amounts from the 1099-Rs exceeded the gross amounts on Form 1040 while the taxable amounts matched, that was taken as a sign that perhaps the taxpayer did not accurately report the gross distribution on Form 1040. Rollover amounts from Form 5498 were therefore added to the gross amounts on Form 1040. This was the only remedy in which an amount on Form 1040 was changed, but it did not affect tax liability.
3. Any remaining rollovers from Form 5498 not accounted for on the 1099-Rs were counted as “inferred rollovers” up to the unexplained difference between the gross and taxable amounts.
4. Any other difference between gross and taxable amounts was attributed to basis recovery; i.e. distributions that are deemed to come out of after-tax contributions and which are therefore nontaxable. Basis recovery was not otherwise identified on Form 1099-R.

The remaining unreconciled cases fell into two categories: returns in which an amount on Form 1040 exceeded the corresponding amounts on all of a taxpayer’s Forms 1099-R, and returns in which an amount on Form 1040 fell short of the corresponding amounts on Forms 1099-R. In the former case, which occurred 3,257 times, dummy 1099-Rs were created

containing the missing amounts. In the latter case, an attempt was made to identify a combination of 1099-Rs that matched the total on the 1040. When such a combination was found, the superfluous 1099-Rs (9,256 in all) were deleted. When no combination of 1099-Rs matched the 1040, the amounts on all of the taxpayer's 1099-Rs were scaled to hit the proper total. Taxable distributions on 6,698 1099-Rs were modified in this manner, as were gross distributions on 3,624 1099-Rs.

Identifying Payments From Government Plans

Payments from government plans on Form 1099-R are relatively easy to identify using the payer name. Five different types of such payments were identified:

1. Federal military retirement benefits,
2. Federal civilian retirement benefits,
3. Railroad Retirement benefits in excess of the Social Security equivalent,
4. State and local retirement benefits, and
5. 403(b) plan benefits (which are received by employees of nonprofit institutions as well as public school and university employees).

Federal military retirement benefits. Benefits from the following three payers were unambiguously identified as being for military retirement:

- The Defense Finance and Accounting Service, Cleveland Center (2,177 records),
- The Defense Finance and Accounting Service, Denver Center (306 records), and
- The U.S. Coast Guard Pay and Personnel Center (39 records).

That list is exhaustive of all payers of military retirement benefits. All plans categorized as “federal military” are defined benefit plans.

Federal civilian retirement benefits. Benefits from the following five payers were identified as being for federal civilian retirement:

- The Office of Personnel Management (2,454 records),
- The U.S. Department of Agriculture National Finance Center (123 records),
- The Tennessee Valley Authority Retirement System (19 records),
- The U.S. Public Health Service (17 records), and
- The Administrative Office of the United States Courts (4 records).

There are a few additional payers, but they are very small and are not represented in the sample. Thus, the identified records were treated as exhaustive of all federal civilian retirement benefits.

All distributions from federal civilian plans except those made by the USDA National Finance Center come from DB plans—the vast majority from the Civil Service Retirement System. The USDA National Finance Center handles the federal Thrift Savings Plan (TSP), a defined contribution plan that was created in 1986. Distributions from the TSP account for less than 2 percent of distributions from federal civilian plans.¹² They are counted in all tables with defined contributions plans, not with government plans.

12. That percentage will increase over time as TSP participants accumulate funds in their accounts and eventually retire.

Railroad Retirement benefits. The U.S. Railroad Retirement Board was listed as the payer on 1,218 records. Only those benefits were classified as railroad retirement benefits—a defined benefit plan. Note that the railroad retirement benefits reported on Form 1099-R cover only those benefits in excess of the Social Security equivalent. The rest are reported and taxed as if they were Social Security benefits. Railroad retirement benefits are counted in all tables with government plans.

State and local retirement benefits. If the sponsoring state or local government was the payer, these benefits were identified by searching for key words, such as “State,” “County,” “City,” “Public Employees,” and “Teachers.” Benefits from 242 payers covering 7,058 records were identified as being for state and local retirement. That list is not exhaustive for two reasons:

1. Some state plans (Nebraska’s, for example) use private contractors to administer their systems, and payments are made by those contractors. Such payments cannot be distinguished from payments made by those same contractors on behalf of private pension funds.
2. Most local government plans are not represented in the sample of 1099-Rs. Many others are represented by only one 1099-R (that is, one recipient). Of the many payers represented by only one 1099-R, manually identifying the local governments among them proved to be too time consuming, so those 1099-Rs were not retained.

State and local retirement benefits identified in the above manner are overwhelmingly defined benefit plans. In 1997, only a handful (e.g., Nebraska State Employees and West

Virginia Teachers) were defined contribution plans.¹³ Four payers covering 12 records were excluded because they appear to represent payments from 457 plans. Such payments are properly reported on Form W-2. No reliable method of identifying 457 plan distributions on Form W-2 could be found, so those plans have been excluded from this analysis. It is possible, nevertheless, that small amounts of benefits from 457 plans or 403(b) plans—both defined contribution plans—were reported by payers on the list and are being counted as state and local retirement benefits.

403(b) plan benefits. The only 403(b) plan benefits that could be identified with any degree of confidence were those paid by the Teachers Insurance and Annuity Association (TIAA—1136 records), the College Retirement Equities Fund (CREF—855 records), and three other payers (covering four records) whose names included the terms “403B” or “tax sheltered annuity.”¹⁴ The vast majority of 403(b) plans not using TIAA-CREF could not be identified because their payments were made by money managers who also made payments on behalf of other types of plans. As with state and local retirement benefits, the records identified as 403(b) plan benefits were reweighted to represent those not identified.

Identifying Payments From Nongovernmental Plans by Type of Plan

Private plan types were more difficult to identify. Reliable identification was possible for only about one-quarter of qualified plans and none of the nonqualified plans (which are generally individual annuities purchased from life insurance companies).

13. Since 2000, several states have created voluntary defined contribution plans as an alternative to their existing defined benefit plan.

14. According to 1998 data downloaded from pionline.com, approximately 85 percent of TIAA-CREF assets were in 403(b) plans. Therefore, a similar percentage of distributions on each record with TIAA-CREF as the payer were assumed to come from 403(b) plans.

Qualified plans. Qualified private plans are required to file Form 5500, on which they indicate whether the plan is of the defined benefit or defined contribution type, and also whether the plan is a 401(k). By linking Forms 5500 to Forms 1099-R based on the payer ID number on the latter, it was possible to identify the plan type for a portion of benefit payments. The identification, however, was far from complete for two reasons:

- Most payer IDs belonged not to the employer sponsoring the plan, but to the insurance or investment company managing the plan. As those companies manage all different types of plans, their identity is of no help in identifying plan types.
- Many of the payer IDs belonging to the employer sponsoring the plan were used for payments from all the different plans sponsored by that employer—both DB and DC. Thus, unless payments from one type of plan overwhelm those made from the other plans, merely identifying the employer did not help identify the type of plan.

Because of the problem of multiple plans using the same payer ID number, linking back to the correct 5500 was usually done manually based on the payer name, not the ID number, for all plans appearing on 30 or more 1099-Rs.¹⁵ Sometimes the name on the 1099-R exactly matched a plan name on a 5500, sometimes it matched a trust name contained within the 5500, and other times an employer's plans could be sorted out inferentially by comparing the number of 1099-Rs associated with each payer ID to the amount of benefits paid by each plan.

15. These manual links were frequently accomplished using HTML versions of Forms 5500 available through www.FreeErisa.com.

Another method used to identify the plan type was the use of key words. The following unambiguous key words were used to identify payments in three categories:

- Defined benefit plans: “defined benefit,” and “cash balance,”
- 401(k) plans: “401K,”
- Other defined contribution plans: “money purchase,” and “target benefit.”

Two key words—“profit-sharing” and “ESOP”— used to describe defined contribution plans may or may not refer to 401(k)s. In those cases, the payer name was checked against a master list of non-401(k) DC plans generated from the 5500 file for 1997 obtained from the EBSA. Those found on the master list were classified as employer-funded DC plans and the rest were classified as 401(k) plans. There is evidence, however, that not all 401(k) plans identify themselves as such on Form 5500, so the employer-funded DC plan category may include a number of 401(k) plans.

Applying those methods yielded the following results:

- Defined benefit plans: 773 payers (including the Pension Benefit Guaranty Corporation) covering 4,961 1099-Rs,
- 401(k) plans: 549 payers covering 2,785 records, and
- Employer-funded defined contribution plans: 221 payers covering 1,011 records

Payments from life insurance companies. Form 5500 contains data on amounts paid to life insurance companies to purchase annuities for qualified plan beneficiaries but does not

contain any data on the amount actually paid by the life insurance companies to the annuitants. Furthermore, no Forms 5500 are filed for nonqualified commercial annuities, which are also paid by life insurance companies. Results for this category were therefore estimated as a residual as explained below in the description of the reweighting scheme. There was no way to identify which payments were for qualified plans and which were for nonqualified annuities.

Reweighting Records

All records for which a plan type could not be identified were deleted from the database. The remaining records were then reweighted to represent the entire population of taxpayers receiving pension distributions. The adjustment to the weights was based on the ratio of a control total for the type of plan divided by the amount accounted for on the retained records.

Published aggregates were located for most types of plans; only the aggregate amount of distributions from 403(b) plans had to be estimated. All such aggregates, however, inevitably included payments made to nonfilers who were excluded from the sample of 1099Rs. Thus, they were inappropriate for use as control totals in the reweighting process. To derive appropriate control totals, the published aggregates had to be adjusted to represent only payments made to filers. Federal plans were used to estimate a factor by which all of the different aggregates could be adjusted. The reason for using federal plans was that no records representing federal retirement benefits were deleted from the database. Thus, any discrepancy between the control totals for federal retirement and the amounts on the 1099-Rs could be attributed to nonfilers. In the case of federal retirement benefits, payments to

filers constituted 91.5 percent of total payments. In the absence of any other information, that percentage was used to adjust the published aggregates for all other plan types. To the extent that recipients of federal pensions are more likely to be filers than recipients of other types of pensions, that percentage could be on the high side.¹⁶

All records for which a plan type could be identified were then tabulated using their original weights. Then each record's weight was multiplied by the ratio of the control total to the tabulated amount (see Table A-2). Because no records representing payments from life insurance companies were retained, a complete tabulation of all reweighted records does not add up to the totals obtained by tabulating the full file of 1099-Rs with their original weights. The difference was deemed to represent payments from life insurance companies.

16. One reason to suspect that recipients of federal pension are more likely to be filers is that CSRS participants do not receive Social Security benefits for their time in federal service. The compensating pension amount they receive does not qualify for the same tax relief as normal Social Security benefits, leaving the recipients with higher taxable income.

Table A-1. 1099-R Forms Added, Deleted, and Modified

Category	Number	Percentage of Reconciled Number
Additions and Deletions		
Original Number of Records	71,233	
Deleted for wrong year	-776	
Superseded by amended return	<u>-444</u>	
Records Subject to Reconciliation Procedure	70,013	
Deleted to reconcile with 1040	-9,256	
Added to reconcile with 1040	<u>3,257</u>	
Total	64,014	100.0
Modifications		
IRA/SEP box checked or unchecked as appropriate	5,854	9.1
Box 2a (taxable distributions) modified by ...		
• reducing it by the amount of any rollover to an IRA inferred from Form 5498	1,121	1.8
• zeroing it out	30	*
• setting it equal to the amount in Box 1 (gross distributions)	643	1.0
• scaling it so that the combined amounts on all Forms 1099-R equal the amount reported on Form 1040	<u>6,698</u>	<u>10.5</u>
Total	8,492	13.3
Box 1 (gross distributions) modified by ...		
• setting it equal to the amount in Box 2a (taxable distributions)	195	0.3
• scaling it so that the combined amounts on all Forms 1099-R equal the amount reported on Form 1040	<u>3,624</u>	<u>5.7</u>
Total	3,819	6.0

Sources: CBO Tabulations of 1997 Information Returns

Note: n.a. = not applicable; * = less than 0.1 percent

Table A-2. Control Totals and Reweighting Factors by Type of Plan

	Distributions to Filers and Nonfilers (millions of dollars)	Target: Distributions to Filers ^a (millions of dollars)	Distributions to Filers Tabulated Using Original Weights (millions of dollars)	Reweighting Factors	Number of Records Using Original Weights
Defined Benefit Plans					
Federal Civilian	44,049	40,462	40,462	1.000	2,617
Federal Military	30,596	27,869	27,869	1.000	2,522
Railroad Retirement	2,727	2,496	2,496	1.000	1,218
State and Local	72,893	66,727	58,893	1.138	7,046
Private	96,997	88,792	27,824	3.191	4,961
Defined Contribution Plans					
401(k)s	95,043	87,004	19,513	4.459	2,785
403(b)s	8,747	8,009	6,042	1.329	1,995
Other Private	40,143	36,747	4,051	9.073	1,011
Payments by Life Insurance Companies					
	60,851	55,703	0	NA	0

Sources: Federal Civilian and Military plans - Department of Commerce, Bureau of Economic Analysis, *1997 National Income and Product Accounts*, Table 6.11C
 State and Local Plans - Department of Commerce, Bureau of the Census, *1997 State and Local Government Public Employee Retirement Systems*, Table 1
 Private DB Plans, 401(k)s, and Other Private DC Plans -

- Multi-person plans - Department of Labor, Pension and Welfare Benefits Administration, *1997 Form 5500 Reports*, Tables A4 and D4
- Single-person plans - Department of the Treasury, Internal Revenue Service, Statistics of Income Division, *SOI Bulletin*, Fall 1999, "1997 Sole Proprietorship Returns," Table 2, and "1997 Partnership Returns," Table 2

Railroad Retirement, 403(b)s, and Payments from Life Insurance Companies - CBO Estimate

a. Federal civilian, federal military, and railroad retirement are tabulated. All others are calculated as 91.54 percent of the distributions to filers and nonfilers (based on the percentage of total federal pension distributions reported by filers).

Appendix B: Detailed Tabulations by Type of Plan

Once the 1099-Rs were reconciled to the amounts of Form 1040, it was possible to tabulate gross and taxable pensions and IRA distributions from the 1099-Rs by type and by whether they were partial or total (i.e., lump-sum) distributions. The \$10 discrepancy that was allowed in the reconciliation process resulted in a very slight undercount. Taxable pensions and IRAs on the reconciled 1099-Rs were slightly below the amounts reported on Form 1040—pensions by 0.46 percent and IRA distributions by 0.12 percent.

This appendix presents tabulations of gross distributions, nontaxable distributions by type, taxable distributions by type, and nonrollover distributions by type of plan. The following plan types are included:

1. 401(k) plans,
2. 403(b) plans,
3. Employer-funded defined contribution plans,
4. All defined contributions plans (including items 1-3 above, plus the federal Thrift Savings Plan),
5. Military retirement plans,
6. Federal civilian defined benefit plans,
7. State and local government retirement plans,
8. All government defined benefit plans (including items 5-7 above plus Railroad Retirement in excess of the Social Security equivalent),
9. Private defined benefit plans,
10. Annuity payments by life insurance companies,

11. All pensions and annuities (including items 4, 8, 9, and 10 above), and
12. Individual retirement account distributions.

Numbers in these tables may not add up to totals due to rounding.

Table B-1. Profile of 401(k) Plan Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	28,790	33.1	58,214	66.9	87,004	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	10,483	12.0	50,982	58.6	61,464	70.6
Basis Recovery	3,808	4.4	647	0.7	4,454	5.1
Other Nontaxable Distributions	<u>299</u>	<u>0.3</u>	<u>1,614</u>	<u>1.9</u>	<u>1,913</u>	<u>2.2</u>
Total Nontaxable	14,589	16.8	53,242	61.2	67,831	78.0
<i>Taxable Distributions</i>						
Regular Distributions	7,339	8.4	1,155	1.3	8,494	9.8
Early Distributions, No Penalty	727	0.8	232	0.3	959	1.1
Disability Benefits	103	0.1	0	0.0	103	0.1
Death Benefits	143	0.2	192	0.2	334	0.4
Early Distributions, W/Penalty	4,914	5.6	3,375	3.8	8,289	9.5
Other and Unreported	<u>976</u>	<u>1.1</u>	<u>18</u>	<u>*</u>	<u>994</u>	<u>1.1</u>
Total Taxable	14,201	16.3	4,972	5.7	19,173	22.0
Nonrollover Distributions	18,308	21.0	7,232	8.3	25,540	29.3

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-2. Profile of 403(b) Plan Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	7,943	99.2	64	0.8	8,007	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	1,146	14.3	33	0.4	1,179	14.7
Basis Recovery	691	8.6	3	*	694	8.7
Other Nontaxable Distributions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
Total Nontaxable	1,837	22.9	36	0.4	1,873	23.4
<i>Taxable Distributions</i>						
Regular Distributions	5,499	68.7	0	0.0	5,499	68.7
Early Distributions, No Penalty	166	2.1	0	0.0	166	2.1
Disability Benefits	0	0.0	0	0.0	0	0.0
Death Benefits	110	1.4	9	0.1	120	1.5
Early Distributions, W/Penalty	141	1.8	17	0.2	158	2.0
Other and Unreported	<u>191</u>	<u>2.4</u>	<u>0</u>	<u>0.0</u>	<u>191</u>	<u>2.4</u>
Total Taxable	6,108	76.3	27	0.3	6,134	76.6
Nonrollover Distributions	6,797	84.9	31	0.4	6,828	85.3

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-3. Profile of Distributions from Employer-Funded Defined Contribution Plans

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	17,163	46.7	19,584	53.3	36,747	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	6,413	17.5	13,035	35.5	19,448	52.9
Basis Recovery	871	2.4	417	1.1	1,288	3.5
Other Nontaxable Distributions	<u>73</u>	<u>0.2</u>	<u>1,841</u>	<u>5.0</u>	<u>1,914</u>	<u>5.2</u>
Total Nontaxable	7,357	20.0	15,294	41.6	22,651	61.6
<i>Taxable Distributions</i>						
Regular Distributions	6,223	16.9	535	1.5	6,758	18.4
Early Distributions, No Penalty	1,143	3.1	408	1.1	1,551	4.2
Disability Benefits	1,252	3.4	0	0.0	1,252	3.4
Death Benefits	372	1.0	9	*	381	1.0
Early Distributions, W/Penalty	599	1.6	3,329	9.1	3,928	10.7
Other and Unreported	<u>227</u>	<u>0.6</u>	<u>9</u>	<u>*</u>	<u>236</u>	<u>0.6</u>
Total Taxable	9,815	26.7	4,291	11.7	14,106	38.4
Nonrollover Distributions	10,749	29.3	6,549	17.8	17,299	47.1

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-4. Profile of Distributions From Defined Contribution Plans[†]

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	53,915	40.7	78,609	59.3	132,524	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	18,042	13.6	64,496	48.7	82,538	62.3
Basis Recovery	5,371	4.1	1,213	0.9	6,583	5.0
Other Nontaxable Distributions	<u>371</u>	<u>0.3</u>	<u>3,456</u>	<u>2.6</u>	<u>3,827</u>	<u>2.9</u>
Total Nontaxable	23,784	17.9	69,165	52.2	92,948	70.1
<i>Taxable Distributions</i>						
Regular Distributions	19,075	14.4	1,701	1.3	20,777	15.7
Early Distributions, No Penalty	2,036	1.5	641	0.5	2,677	2.0
Disability Benefits	1,354	1.0	21	*	1,375	1.0
Death Benefits	625	0.5	211	0.2	836	0.6
Early Distributions, W/Penalty	5,656	4.3	6,843	5.2	12,499	9.4
Other and Unreported	<u>1,395</u>	<u>1.1</u>	<u>27</u>	<u>*</u>	<u>1,422</u>	<u>1.1</u>
Total Taxable	30,142	22.7	9,443	7.1	39,584	29.9
Nonrollover Distributions	35,853	27.1	14,113	10.6	49,986	37.7

[†] Includes 401(k)s, 403(b)s, the federal TSP, and employer-funded defined contribution plans. Does not include 457 plans.

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-5. Profile of Military Retirement Plan Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	27,855	99.9	13	*	27,868	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	34	0.1	0	0.0	34	0.1
Basis Recovery	211	0.8	0	0.0	211	0.8
Other Nontaxable Distributions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
Total Nontaxable	245	0.9	0	0.0	245	0.9
<i>Taxable Distributions</i>						
Regular Distributions	26,027	93.4	0	0.0	26,027	93.4
Early Distributions, No Penalty	0	0.0	0	0.0	0	0.0
Disability Benefits	1,481	5.3	0	0.0	1,481	5.3
Death Benefits	27	0.1	13	*	40	0.1
Early Distributions, W/Penalty	0	0.0	0	0.0	0	0.0
Other and Unreported	<u>76</u>	<u>0.3</u>	<u>0</u>	<u>0.0</u>	<u>76</u>	<u>0.3</u>
Total Taxable	27,610	99.1	13	*	27,623	99.1
Nonrollover Distributions	27,821	99.8	13	*	27,834	99.9

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-6. Profile of Federal Civilian Retirement Plan Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	39,881	98.6	563	1.4	40,444	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	139	0.3	515	1.3	654	1.6
Basis Recovery	1,481	3.7	14	*	1,495	3.7
Other Nontaxable Distributions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
Total Nontaxable	1,620	4.0	529	1.3	2,149	5.3
<i>Taxable Distributions</i>						
Regular Distributions	27,904	69.0	0	0.0	27,904	69.0
Early Distributions, No Penalty	1,096	2.7	0	0.0	1,096	2.7
Disability Benefits	3,319	8.2	0	0.0	3,319	8.2
Death Benefits	5,706	14.1	31	0.1	5,737	14.2
Early Distributions, W/Penalty	0	0.0	3	*	3	*
Other and Unreported	<u>236</u>	<u>0.6</u>	<u>0</u>	<u>0.0</u>	<u>236</u>	<u>0.6</u>
Total Taxable	38,261	94.6	34	0.1	38,295	94.7
Nonrollover Distributions	39,742	98.3	48	0.1	39,790	98.4

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-7. Profile of State and Local Retirement Plan Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	65,020	97.4	1,747	2.6	66,767	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	773	1.2	503	0.8	1,277	1.9
Basis Recovery	4,239	6.3	170	0.3	4,409	6.6
Other Nontaxable Distributions	<u>117</u>	<u>0.2</u>	<u>18</u>	<u>*</u>	<u>136</u>	<u>0.2</u>
Total Nontaxable	5,129	7.7	692	1.0	5,822	8.7
<i>Taxable Distributions</i>						
Regular Distributions	52,045	77.9	52	0.1	52,097	78.0
Early Distributions, No Penalty	3,672	5.5	0	0.0	3,672	5.5
Disability Benefits	1,337	2.0	0	0.0	1,337	2.0
Death Benefits	1,685	2.5	321	0.5	2,006	3.0
Early Distributions, W/Penalty	316	0.5	683	1.0	999	1.5
Other and Unreported	<u>836</u>	<u>1.3</u>	<u>0</u>	<u>0.0</u>	<u>836</u>	<u>1.2</u>
Total Taxable	59,890	89.7	1,057	1.6	60,945	91.3
Nonrollover Distributions	64,247	96.2	1,244	1.9	65,490	98.1

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-8. Profile of Distributions From All Government Plans[†]

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	135,188	98.3	2,387	1.7	137,576	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	949	0.7	1,082	0.8	2,033	1.5
Basis Recovery	6,128	4.5	184	0.1	6,312	4.6
Other Nontaxable Distributions	<u>117</u>	<u>0.1</u>	<u>18</u>	<u>*</u>	<u>136</u>	<u>0.1</u>
Total Nontaxable	7,194	5.2	1,285	0.9	8,481	6.2
<i>Taxable Distributions</i>						
Regular Distributions	105,977	77.0	52	*	106,029	77.1
Early Distributions, No Penalty	4,776	3.5	0	0.0	4,776	3.5
Disability Benefits	6,137	4.5	0	0.0	6,137	4.5
Death Benefits	7,418	5.4	365	0.3	7,782	5.7
Early Distributions, W/Penalty	316	0.2	686	0.5	1,002	0.7
Other and Unreported	<u>3,372</u>	<u>2.5</u>	<u>0</u>	<u>0.0</u>	<u>3,372</u>	<u>2.4</u>
Total Taxable	127,994	93.0	1,104	0.8	129,095	93.8
Nonrollover Distributions	134,239	97.6	1,305	0.9	135,543	98.5

[†] Includes federal military and civilian DB plans, state and local plans, and Railroad Retirement in excess of the Social Security equivalent

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-9. Profile of Private Defined Benefit Plan Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	77,313	87.1	11,479	12.9	88,792	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	2,183	2.5	10,148	11.4	12,331	13.9
Basis Recovery	2,473	2.8	86	0.1	2,559	2.9
Other Nontaxable Distributions	<u>118</u>	<u>0.1</u>	<u>51</u>	<u>0.1</u>	<u>169</u>	<u>0.2</u>
Total Nontaxable	4,774	5.4	10,285	11.6	15,058	17.0
<i>Taxable Distributions</i>						
Regular Distributions	58,447	65.8	195	0.2	58,642	66.0
Early Distributions, No Penalty	9,826	11.1	38	*	9,864	11.1
Disability Benefits	1,538	1.7	0	0.0	1,538	1.7
Death Benefits	1,765	2.0	32	*	1,797	2.0
Early Distributions, W/Penalty	313	0.4	925	1.0	1,238	1.4
Other and Unreported	<u>654</u>	<u>0.7</u>	<u>6</u>	<u>*</u>	<u>661</u>	<u>0.7</u>
Total Taxable	72,539	81.7	1,197	1.3	73,736	83.0
Nonrollover Distributions	75,130	84.6	1,331	1.5	76,461	86.1

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-10. Profile of Annuity Payments by Life Insurance Companies

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	24,098	43.3	31,509	56.7	55,607	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	1,524	2.7	19,363	34.8	20,886	37.6
Basis Recovery	11,029	19.8	6,389	11.5	17,418	31.3
Other Nontaxable Distributions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
Total Nontaxable	12,553	22.6	25,753	46.3	38,303	68.9
<i>Taxable Distributions</i>						
Regular Distributions	8,819	15.9	2,438	4.4	11,256	20.2
Early Distributions, No Penalty	1	0.0	239	0.4	240	0.4
Disability Benefits	0	0.0	112	0.2	113	0.2
Death Benefits	1,284	2.3	1,131	2.0	2,415	4.3
Early Distributions, W/Penalty	1,183	2.1	1,711	3.1	2,895	5.2
Other and Unreported	<u>252</u>	<u>0.5</u>	<u>121</u>	<u>0.2</u>	<u>374</u>	<u>0.7</u>
Total Taxable	11,541	20.8	5,753	10.3	17,295	31.1
Nonrollover Distributions	22,573	40.6	12,146	21.8	34,721	62.4

Source: CBO Tabulations of 1997 Information Returns

Table B-11. Profile of Distributions From All Pensions and Annuities[†]

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	290,515	70.1	123,984	29.9	414,499	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	22,698	5.5	95,090	22.9	117,787	28.4
Basis Recovery	25,000	6.0	7,873	1.9	32,873	7.9
Other Nontaxable Distributions	<u>606</u>	<u>0.1</u>	<u>3,525</u>	<u>0.9</u>	<u>4,132</u>	<u>1.0</u>
Total Nontaxable	48,304	11.7	106,488	25.7	154,792	37.3
<i>Taxable Distributions</i>						
Regular Distributions	192,318	46.4	4,386	1.1	196,703	47.5
Early Distributions, No Penalty	16,638	4.0	922	0.2	17,560	4.2
Disability Benefits	9,029	2.2	133	*	9,163	2.2
Death Benefits	11,091	2.7	1,739	0.4	12,829	3.1
Early Distributions, W/Penalty	7,468	1.8	10,168	2.5	17,637	4.3
Other and Unreported	<u>5,673</u>	<u>1.4</u>	<u>149</u>	<u>*</u>	<u>5,822</u>	<u>1.4</u>
Total Taxable	242,216	58.4	17,496	4.2	259,711	62.7
Nonrollover Distributions	267,817	64.6	28,894	7.0	296,712	71.6

[†] Includes all government plans, private defined benefit plans, defined contribution plans, and annuity payments by life insurance companies

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent

Table B-12. Profile of IRA Distributions

Type of Distribution	Partial Distributions		Lump Sum Distributions		All Distributions	
	(\$Mils)	Pct.	(\$Mils)	Pct.	(\$Mils)	Pct.
Gross Distributions	58,137	71.3	23,379	28.7	81,515	100.0
<i>Nontaxable Distributions</i>						
Rollovers & Exchanges	7,246	8.9	12,781	15.7	20,027	24.6
Basis Recovery	4,788	5.9	2,194	2.7	6,982	8.6
Other Nontaxable Distributions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
Total Nontaxable	12,034	14.8	14,975	18.4	27,008	33.1
<i>Taxable Distributions</i>						
Regular Distributions	34,529	42.4	3,966	4.9	38,494	47.2
Early Distributions, No Penalty	1,745	2.1	113	0.1	1,858	2.3
Disability Benefits	339	0.4	51	0.1	390	0.5
Death Benefits	884	1.1	893	1.1	1,777	2.2
Early Distributions, W/Penalty	6,499	8.0	3,345	4.1	9,844	12.1
Other and Unreported	<u>2,106</u>	<u>2.6</u>	<u>37</u>	<u>*</u>	<u>2,143</u>	<u>2.6</u>
Total Taxable	46,103	56.6	8,404	10.3	54,507	66.9
Nonrollover Distributions	50,891	62.4	10,597	13.0	61,488	75.4

Source: CBO Tabulations of 1997 Information Returns

Note: * = less than 0.05 percent
