

1990



Department of the Treasury
Internal Revenue Service

Instructions for Form 5329

Return for Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—

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

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	2 hrs., 24 min.
Learning about the law or the form	44 min.
Preparing the form	1 hr., 32 min.
Copying, assembling, and sending the form to IRS	35 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **IRS** and the **Office of Management and Budget** at the addresses listed in the instructions for Form 1040. **DO NOT** send the tax form to either of these offices. Instead, see the instructions below for information on where to file.

Items You Should Note

- The filing requirement has been eliminated for many of the people who meet an exception to the tax on early distributions. See paragraph "(3)" under **Who Must File**.
- Worksheets for the computation of the unrecovered grandfather amounts under the discretionary and attained age methods should be retained in your permanent records. Also, attach a copy of the Worksheet to Form 5329. See instructions for Part IV.
- If you previously made nondeductible IRA contributions, you must use **Form 8606**, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions, to compute the nontaxable portion of your IRA withdrawals.

General Instructions

Purpose of Form.—Use this form to report any excise tax or additional income tax you may owe in connection

with your qualified retirement plan (including your individual retirement arrangement (IRA)), annuity, or modified endowment contract.

Note: *When used in these instructions, the term "qualified retirement plans" includes individual retirement arrangements (IRAs).*

Who Must File.—You must file a Form 5329 if you :

- (1) owe a tax due to excess contributions to your IRA (Part I);
- (2) owe a tax on early distributions from your IRA, qualified retirement plan, annuity, or modified endowment contract (Part II); (distribution code 1 should be shown on the Form 1099-R or W-2P you received — but see "Note" following item 5 below);
- (3) meet an exception to the tax on early distributions (Part II), and the exception (distribution code 2, 3, or 4) is **NOT** shown on the Form 1099-R or W-2P you received for the distribution. You must also file Form 5329 if the Form 1099-R or W-2P shows distribution code 2, 3, or 4 but the code is incorrect. You do not need to file it if the Form 1099-R or W-2P correctly shows distribution code 2, 3, or 4.
- (4) owe a tax because you did not receive a minimum required distribution from your qualified retirement plan (Part III); or
- (5) receive excess distributions from a qualified retirement plan, whether or not you owe tax (Part IV).

Note: *You do not have to file Form 5329 if you rolled over all distributions you received during the year.*

These items are explained in detail later in these instructions.

Joint Returns.—Each spouse must complete a **separate** Form 5329 for taxes attributable to his or her own qualified retirement plan, annuity, or modified endowment contract. If both spouses owe penalty taxes and are filing a joint return, enter the combined total tax from Forms 5329 on Form 1040, line 52.

IRA Contributions.—Do **not** file Form 5329 to report your deduction for contributions to your IRA. Report this deduction on your **Form 1040** or **Form 1040A**, U.S. Individual Income Tax

Return. If you make a nondeductible contribution to your IRA, you must file **Form 8606**, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions.

For additional information, see **Pub. 575**, Pension and Annuity Income, and **Pub. 590**, Individual Retirement Arrangements (IRAs).

Also, individuals who redeem their individual retirement bonds should see **Pub. 590**.

When and Where To File.—Your 1990 Form 5329 should be attached to and filed at the same time (including extensions) as your 1990 Form 1040. If you are paying tax for prior years, use a separate Form 5329 for the specific year for which you are paying tax. For example, if you are paying tax for 1988, you must use the 1988 version of Form 5329 to report the 1988 tax.

If you do not have to file Form 1040 because you do not have enough income to require filing an income tax return or you are filing for prior years, file only a completed Form 5329 with the Internal Revenue Service at the time and place that you would file Form 1040. Include a check or money order payable to the Internal Revenue Service for any tax due shown on lines 7, 11, 15, 19c, and 23c.

Amended Return.—Check this box if you are filing an amended 1990 Form 5329. Do not use this version of Form 5329 to amend your return for any other year.

Sign and Date Form 5329.—This form must be signed if filed separately from Form 1040.

Preparer's Number.—The paid preparer's number is needed only if you owe a tax on early distributions (from Part II). For further information about a paid preparer's signing responsibilities, see instructions for Form 1040.

Definitions

Compensation.—Compensation includes wages, salaries, professional fees, and other pay you receive for services you perform. It also includes sales commissions, commissions on insurance premiums, pay based on percent of profit, tips, and bonuses. It includes net earnings from self-employment, but only for a trade or business in which your personal services are a material income-producing factor. In addition, for IRAs all taxable alimony received by a former or current spouse under a decree of divorce or separate maintenance is treated as compensation.

The term "compensation" does not include any amounts received as a pension or annuity and does not include any amount received as deferred compensation.

Rollover.—A rollover is a withdrawal of assets from one qualified retirement plan and its reinvestment in another plan. Generally, a qualified distribution that is rolled over is treated as a tax-free distribution only if it is contributed to another qualified retirement plan within 60 days following the distribution. See Pub. 590 for more information and additional requirements regarding rollover contributions to an IRA, distributions under a “qualified domestic relations order,” and rollovers of partial distributions from qualified plans

Note: If you instruct the trustee of your IRA to transfer funds directly to another IRA, the transfer is **not** considered a rollover. Do not include the amount transferred in income or deduct the amount transferred as a contribution to your IRA.

Early Distribution.—Generally any distribution from your qualified retirement plan, annuity, or modified endowment contract that you receive before you reach age 59½ is an early distribution.

See Specific Instructions, Part II, for the tax on early distributions and exceptions to it.

Prohibited Transactions.—Generally transactions such as borrowing from your IRA or annuity or using your IRA as a basis for obtaining a benefit are prohibited transactions. They cause the IRA or annuity to no longer be considered an IRA or annuity as of the first day of your tax year in which the transaction occurs. Further, the entire value of your account or annuity is considered distributed to you as of the first day of your tax year. See Specific Instructions, Part II, line 8d.

Pledging of Account.—

(1) If, during the tax year, you use any part of your individual retirement account as security for a loan, that part is treated as being distributed to you.

(2) If, during the tax year, you use all or any part of your individual retirement annuity contract as security for a loan, the total value of that contract is treated as being distributed to you as of the first day of your tax year.

Also, if you are under age 59½ when the account or annuity is treated as being distributed to you, these distributions are subject to the tax on early distributions. See Specific Instructions, Part II, line 8e.

Note: Report any distributions received or considered to be received from your IRA as fully taxable on Form 1040, line 16b, except:

(a) Rollover contributions to another plan or IRA.

(b) Current year contributions that you withdraw from your IRA before the

due date of your income tax return for the year the contributions were made and for which you took no deduction.

(c) Any excess contributions from earlier years that you withdraw, if the total contributions for the year in which the excess contributions were made are not more than \$2,250 (or if the total contributions for the year include employer contributions to a SEP \$2,250 increased by the lesser of the amount of the employer contributions to the SEP or \$30,000) and you took no deduction for the excess contributions.

(d) Amounts transferred (by transfer of ownership of an IRA) to a spouse or former spouse under a divorce or separate maintenance decree or written instrument incidental to such a decree.

(e) Any individual retirement annuity contracts distributed to you. However report on your income tax return any payments you received from these annuities as fully taxable annuity payments.

(f) The part of IRA distributions that represents a recovery of basis, if you made nondeductible IRA contributions in earlier years. Use Form 8606 to figure this amount.

Specific Instructions

Part I—Excess Contributions Tax for Individual Retirement Arrangements (Section 4973)

If you contributed, either this year or in earlier years, more to your IRA than is allowable, you may have to pay an excess contributions tax. For this purpose, the amount allowable under section 219 is computed without regard to the AGI phaseout on the deduction under section 219(g).

However, if you withdrew some or all of your 1990 IRA contributions before the due date (including extensions) of your 1990 income tax return, the contributions will not be taxable as a distribution if:

(1) you do not claim a deduction for the amount of the contributions withdrawn, and

(2) the withdrawal from your IRA includes any income earned on the withdrawn contributions.

Do not include such withdrawn contributions on line 1 Form 5329.

However, you must include the income earned on the contributions withdrawn before the due date of your income tax return on Form 1040 for the year in which the contribution was made. Also, report the income (but not the withdrawn contributions) on line 8a, Part II of Form 5329, for the year the contribution was made if you had not reached age 59½ at the time you received the distribution of income.

Line 1.—Enter the excess contributions you made in 1990. To compute this amount, subtract your limitation amount (as determined in Worksheet 1 contained in the Form 1040 Instructions for line 24a or 24b) from your actual contributions. For this purpose, use Worksheet 1 regardless of your AGI and even though you use Worksheet 2 to figure your actual IRA limitation.

Do not include any rollover contributions in figuring your excess contributions.

Line 2.—Enter the total amount of 1989 excess contributions not withdrawn from your IRA before the due date of your 1989 income tax return, plus the 1988 and earlier excess contributions not withdrawn or otherwise eliminated before January 1, 1990.

Line 3.—If your limitation amount is more than the amount actually contributed to your IRA, and your excess contributions from earlier years have not been eliminated, complete the worksheet below to see if you have a contribution credit. **DO NOT** enter an amount on line 3 if you have an amount on line 1.

Line 4a.—If you withdrew any money from your IRA in 1990 that must be included in your income for 1990, enter the amount on line 4a. Do not include any contributions withdrawn that will be reported on line 4b.

Line 4b.—Enter any excess contributions to your IRA for 1976 through 1988 that you withdrew in 1990, and any 1989 excess contributions that you withdrew after the due date (including any extensions) for your 1989 income tax return, if:

(1) you did not claim a deduction, and

Worksheet for line 3

1	Enter amount from line 2, IRA Worksheet 1, or line 7, IRA Worksheet 2, in Form 1040 Instructions for lines 24a and 24b, but not more than \$2,000 (\$2,250 if you contributed to your nonworking spouse's account)	
2	Enter amount that you actually contributed either to your account or to your and your nonworking spouse's accounts. (Do not include amounts treated as current year contributions under section 219(f)(6).)	
3	Contribution credit—subtract line 2 from line 1. Enter this amount on line 3 of Form 5329. Also include on line 3 or 8 (whichever is applicable) IRA Worksheet 1, or line 9 or 19 (whichever is applicable) IRA Worksheet 2, contained in Form 1040 Instructions for lines 24a and 24b, the smaller of either: (i) this amount; or (ii) your earlier years' excess contributions not previously eliminated. (See section 219(f)(6).)	

(2) the total contributions to your IRA for the tax year for which the excess contributions were made were not more than \$2,250 (or if the total contributions for the year include employer contributions to a SEP \$2,250 increased by the lesser of the amount of the employer contributions to the SEP or \$30,000).

Part II—Tax on Early Distributions (Section 72)

In general, if a distribution is made to you from a qualified retirement plan, an annuity or a modified endowment contract before you reach age 59½ (including an involuntary cashout under section 411(a)(11) or 417(e)), the portion of such distribution that is includible in gross income is subject to a 10 percent tax.

A "qualified retirement plan" includes:

- (1) a qualified pension, profit-sharing, and stock bonus plan;
- (2) a qualified annuity plan;
- (3) a tax-sheltered annuity contract;
- (4) an individual retirement account; and
- (5) an individual retirement annuity.

The tax on early distributions from qualified retirement plans does not apply to:

- A distribution of excess contributions from a qualified cash or deferred arrangement.
- A distribution of excess aggregate contributions to meet nondiscrimination requirements applicable to employer matching and employee contributions.
- A distribution of excess deferrals.
- Amounts distributed from unfunded deferred compensation plans of tax-exempt or State and local government employers.

See the instructions for line 9 for other distributions which are excluded from the tax.

Line 8.—

Note: You must include the taxable amount of all distributions (including interest earned on investments) from line 8g on either line 16b or 17b, Form 1040, or the appropriate line of Form 4972, Tax on Lump-Sum Distributions, whichever is applicable.

Line 8a.—Enter the taxable amount of distributions made to you from a qualified pension plan, including your IRAs (and income earned on excess contributions to your IRAs), before you reached age 59½.

The following distributions are not to be included on line 8a:

- (1) 1990 IRA contributions withdrawn during the year or 1989 excess contributions withdrawn in 1990 before the filing date (including extensions) of your 1989 income tax return;

(2) Rollover contributions to another retirement arrangement or plan;

(3) Amounts from an arrangement for which you make an entry on line 8d, 8e, or 8f;

(4) Amounts considered distributed from an arrangement because it was pledged as security for a loan (report this amount on line 8e);

(5) 1976 and 1977 excess contributions to IRAs withdrawn in 1990 if no deduction was allowed for the excess contributions;

(6) 1978 through 1988 excess contributions withdrawn in 1990, and 1989 excess contributions withdrawn after the due date (including extensions) of your 1989 income tax return if no deduction was allowed for the excess contributions, and the total IRA contributions for the tax year for which the excess contributions were made were not more than \$2,250 (or if the total contributions for the year include employer contributions to a SEP \$2,250 increased by the lesser of the amount of the employer contributions to the SEP or \$30,000);

(7) The portion of your IRA withdrawals that represents a return of nondeductible IRA contributions computed on Form 8606; and

(8) Certain corrective distributions from qualified plans containing elective contribution arrangements.

Line 8b.—If you receive any amount under an annuity contract from distributions made before reaching age 59½, such amount may also be subject to an additional 10 percent tax on the portion that is includible in gross income.

See section 72(q) and Pub. 575 for additional details.

Line 8c.—In general, if you received any amounts under a modified endowment contract (as defined in section 7702A), entered into after June 20, 1988, from distributions made before reaching age 59½, such amounts are also subject to an additional 10 percent tax on the part of the distribution that is includible in gross income.

Line 8d.—If you engaged in a prohibited transaction, such as borrowing from your individual retirement account or your individual retirement annuity, it ceased to qualify as an IRA on the first day of the tax year in which you did the borrowing. You are considered to have received a distribution of the entire value of your account or annuity at that time. The same applies if you pledged any of your individual retirement annuity as security for a loan. If you were under age 59½ on the first day of the year report the entire distribution on line 8d. (If you pledged any of your retirement account, see line 8e below.)

Note: If you enter an amount on line 8d, do not enter an amount on line 8a or 8e for this IRA.

Line 8e.—If you pledged any of your individual retirement account as security for a loan, you are considered to have received a distribution of the amount pledged. If you were under age 59½ at the time of the pledge, enter the amount pledged on line 8e. (If you borrowed from your individual retirement account or individual retirement annuity, see line 8d above.)

Line 8f.—The cost of any "collectible" (defined below) in which you invested funds of your IRA in 1990 is deemed to be a distribution to you in 1990. The cost is includible in your 1990 income. Include the total cost of the collectible on Form 1040, line 16b. If you were under age 59½ when the funds were invested, enter the cost of the collectible on line 8f

For this tax, a "collectible" is:

- (1) any work of art,
- (2) any rug or antique,
- (3) any metal or gem,
- (4) any stamp or coin (but see "Exception" below),
- (5) any alcoholic beverage, or
- (6) any other tangible personal property specified by regulations under section 408(m).

Exception: You are allowed to invest funds of your IRA in the following coins that were minted by the U.S. beginning October 1, 1986: one, one-half, one-quarter, or one-tenth ounce gold coins, or one ounce silver coins.

Line 9.—The 10 percent tax on early distributions does not apply to certain distributions that are specifically excepted by law. See the instructions for lines 9a–9g for a discussion of these exceptions.

Line 9a.—Distributions that are made to a beneficiary (or to the estate of the employee) on or after the death of the employee are not subject to the additional tax. This exception does not apply to taxable distributions from modified endowment contracts. If you owe no tax on your early distribution because of this exception, and the Form 1099-R or W-2P that you received shows distribution code 4, you are not required to file Form 5329.

Line 9b.—Distributions that are attributable to your being totally and permanently disabled are not subject to the additional tax. To meet this exception you must be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. If you owe no tax on your early

distribution because of this exception, and the Form 1099-R or W-2P that you received shows distribution code 3, you are not required to file Form 5329.

Line 9c.—Distributions that are part of a series of substantially equal periodic payments (not less frequently than annually) made for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary are not subject to the additional tax.

Note: *The exceptions to the additional tax listed on lines 9d through 9f DO NOT apply to distributions from IRAs or annuity or modified endowment contracts.*

Line 9d.—Distributions that are made to an employee who has separated from service during or after the year in which he or she reached age 55 are not subject to the additional tax.

Line 9e.—Distributions you receive, to the extent that you have deductible medical expenses for the year under section 213 (regardless of whether you actually itemize deductions for that year), are not subject to the additional tax. This exception applies only to the amount of medical expenses that exceeds 7.5% of your adjusted gross income.

Example: *In 1990 you had a total of \$5,000 of qualified medical expenses, and you withdrew \$4,000 from your IRA that would otherwise be subject to the penalty tax on early withdrawals. Your adjusted gross income for 1990 is \$30,000. Under section 213, you could deduct only \$2,750 of your medical expenses, that is, \$5,000 less \$2,250 (7.5% of your adjusted gross income). Whether or not you itemize deductions for 1990, the line 9e exception would apply to \$2,750 of your early withdrawal.*

Line 9f.—Distributions that are made to an alternate payee under a qualified domestic relations order are not subject to the additional tax.

Line 9g.—In addition to those listed on lines 9a through 9f, the tax does not apply to any distributions from a plan maintained by an employer if:

1. You separated from service by March 1, 1986;
2. As of 3/1/86 your entire interest was in pay status under a written election which provides a specific schedule for distribution of your entire interest; and
3. The distribution is actually being made under the written election.

Also, distributions from annuity contracts are not subject to the tax on early distributions to the extent that the distributions are allocable to the investment in the contract before August 14, 1982.

If either of these exceptions applies, enter it on line 9g. For additional exceptions applicable to annuities, see section 72(q)(2).

Part III—Tax on Excess Accumulation in Qualified Retirement Plans (Section 4974)

For purposes of the tax on excess accumulations, “qualified retirement plan” has the same definition as it does in Part II, above.

If you did not receive the minimum required distribution(s) you must pay an additional tax that is equal to 50% of the difference between the amount that was required to be distributed and the amount that was actually distributed.

IRA.—You must begin receiving distributions from your IRA by April 1 of the year following the year in which you reach age 70½. At that time, you may receive your entire interest in the IRA, or begin receiving periodic distributions over your life expectancy or over the joint life expectancy of you and your designated beneficiary (or over a shorter period).

If you choose to receive periodic distributions, you must receive a minimum required distribution each year. For each year after the year in which you reach age 70½, you must receive the minimum required distribution by December 31 of that year.

The minimum required distribution is computed by dividing the account balance of the IRA on December 31 of the year preceding any distribution by the applicable life expectancy.

Under an alternative method described in Pub. 590, if you have more than one IRA you may take the minimum distribution from any one or more of the individual IRAs.

For purposes of determining minimum required distributions, you must compute the life expectancies using the expected return multiples. These can be found in the tables in Pub. 590 or **Pub. 939**, Pension General Rule (Nonsimplified Method).

For a more detailed discussion of minimum distribution rules, with examples, and the life expectancy tables, see Pub. 590.

Qualified Pension, Profit-Sharing, and Stock Bonus Plans.—In general, you must begin receiving distributions from your qualified retirement plan no later than April 1 of the year following the year in which you turned age 70½.

Your plan administrator figures the amount that must be distributed each year. See Proposed Regs. 1.401(a)(9)-1F.

Exceptions.—If you turned age 70½ before January 1, 1988, or are covered by a governmental or church plan, you are required to begin receiving distributions from your qualified retirement plan not later than April 1 following the later of: (1) the year in which you turned age 70½, or (2) the year in which you retired.

If you turned age 70½ during 1988 and had not retired by January 1, 1989, then you are required to begin receiving distributions not later than April 1, 1990. If you turned 70½ in 1988 and retired in 1988, you were required to begin receiving distributions not later than April 1, 1989.

5% owners.—If you were a 5% owner, you must begin receiving distributions not later than April 1 of the year following the year in which you turned age 70½, regardless of when you retire, and even if you turned age 70½ before 1988. See Pub. 575 for a discussion of what constitutes 5% ownership.

Note: *The IRS may waive this tax on excess accumulations. To get the waiver of the tax, you must show that any shortfall in the amount of withdrawals from your qualified retirement plan was due to reasonable error and that appropriate steps have been or are being taken to remedy the shortfall. If you believe you qualify for this waiver file Form 5329, pay this excise tax, and attach your letter of explanation. If your waiver request is granted, we will send you a refund.*

Part IV—Tax On Excess Distributions From Qualified Retirement Plans (Including IRAs) (Section 4980A)

Generally, if you receive distributions in 1990 from a “qualified retirement plan” (including IRAs) in excess of \$150,000 (or \$128,228 if you made a special grandfather election), you may have to pay an additional 15 percent tax on the excess.

A qualified retirement plan for this purpose has the same definition as it does for Part II, on page 3.

If you made a special grandfather election in 1987 or 1988 under Temp. Regs. section 54.4981A-1T, use either Worksheet 1 or 2 on page 6 to compute your 1990 recovery amount and your unrecovered grandfather amount for 1991. Be sure to attach a copy of the worksheet to your return.

Be sure also to keep these worksheets as part of your permanent records to help you figure your 1991 recovery amount. In the case of your death, the executor or administrator of your estate will need to know the unrecovered amount to compute any increase in estate tax that may be due under section 4980A(d) on Schedule S of Form 706.

Note: You cannot revoke in 1990 a grandfather election you made in 1987 or 1988.

Worksheet 1.—Discretionary Method.—Complete Worksheet 1 if you elected the discretionary method. Under this method, 10 percent of the distributions you receive during the calendar year is treated as a recovery of the grandfather amount.

Line 3 of Worksheet 1.—Under the discretionary method of recovery, you may elect to accelerate the rate of recovery to 100 percent. If you make the election the rate of recovery is accelerated to 100 percent for the year for which the election is made and for all subsequent years.

You may also make (or revoke) an acceleration election for a prior year (and all subsequent years) on a timely filed amended return for any prior years to which the discretionary method of recovery applied. Indicate clearly in the explanation space provided on **Form 1040X**, Amended U.S. Individual Income Tax Return, that you are amending your return to make (or revoke) an acceleration election under Internal Revenue Code section 4980A. Be sure to complete item 1 or 2 under “Acceleration Elections” on your 1990 Form 5329. You may need to amend more than one return since an amendment of an earlier year return to elect 100 percent acceleration will also require consistent treatment on subsequent year returns.

Worksheet 2.—Attained Age Method.—Complete Worksheet 2 if you elected the attained age method. Under this method, the portion of distributions you receive during any year that is treated as a recovery of the

grandfather amount is calculated by multiplying the distributions you received by a fraction. The numerator of the fraction is the difference between your attained age in completed months on August 1, 1986, and age 35 (420 months). The denominator of the fraction is the difference between your attained age in completed months on December 31, 1990, and age 35 (420 months).

See Temp. Regs. section 54.4981A-1T for additional information on the two grandfather recovery methods and recordkeeping requirements.

Lines 16 and 20.—All retirement distributions are divided into two categories: (1) regular retirement distributions; and (2) lump-sum distributions. To be treated as a lump-sum distribution, you must make certain elections under section 402 or 403, such as 5-year averaging, with respect to that distribution. See **Form 4972**, Tax on Lump-Sum Distributions.

If you rolled over part of a distribution, you must treat the part that was not rolled over as a regular not a lump-sum, distribution. Report it on line 16 (subject to the following exceptions).

The following distributions are not to be included on line 16 or 20:

- (1) distributions excluded from income because of rollover contributions;
- (2) distributions that are a return of employee contributions or nondeductible IRA contributions;
- (3) certain payments made to a spouse or former spouse under a qualified domestic relations order and

(4) distributions made as a result of death.

See section 4980A(c)(2).

Lines 17a and 21a.—The threshold amount depends on whether you have made a grandfather election. If you have not elected to use the special grandfather rule, use the \$150,000 threshold amount. If you have made a special grandfather election, enter \$128,228 for 1990. For lump-sum distributions, use \$750,000 if you did not elect the special grandfather rule. If you made a grandfather election, the threshold amount for 1990 is \$641,140.

Lines 17b and 21b.—Enter the amount from line 3 of Worksheet 1, or line 6 of Worksheet 2.

Lines 19b and 23b.—The 15 percent excise tax on excess distributions may be offset by the 10 percent tax on early distributions under section 72(t) to the extent that the 10 percent tax is applied to excess distributions. If you entered an amount on line 11, Part II, which is attributable to early distributions reported on line 8a, 8d, 8e, or 8f, of Part II, calculate the offset amount, if any, as follows:

- (1) Add the amounts on lines 8a, 8d, 8e, and 8f;
- (2) Subtract any amount on line 9h that is attributable to the distributions included in (1) above; and
- (3) Subtract line 17c or 21c from the result obtained in step (2) above.

If the result from step (3) is zero or less, you are not eligible for an offset. If the result is greater than zero, multiply the result by 10% (the rate of the section 72(t) tax), and enter that result on line 19b or 23b.

Worksheet 1 for computation of 1991 unrecovered grandfather amount under the **Discretionary Method**

Attach a copy of this Worksheet to your return.

- 1 Remaining unrecovered grandfather amount as of 1/1/90 (from line 4 of your 1989 worksheet) _____
 - 2 Distributions received during 1990 _____
 - 3 1990 recovery of grandfather amount (Multiply line 2 by 10% (.10) or, if elected, 100% (1.00).) Enter here
and on line 17b or 21b of Form 5329 (ratably if both) _____
 - 4 Remaining unrecovered grandfather amount for 1991 (Subtract line 3 from line 1.) _____
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Worksheet 2 for computation of 1991 unrecovered grandfather amount under the **Attained Age Method**

Attach a copy of this Worksheet to your return.

Note: You cannot use this method if you were born after August 1, 1951.

- 1 Remaining unrecovered grandfather amount as of 1/1/90 (from line 7 of your 1989 worksheet) _____
 - 2 Distributions received during 1990 _____
 - 3a Attained age in completed months on 8/1/86 _____
 - b Number of completed months at age 35 420
 - c Subtract line 3b from line 3a _____
 - 4a Attained age in completed months on 12/31/90 _____
 - b Number of completed months at age 35 420
 - c Subtract line 4b from line 4a _____
 - 5 Divide line 3c by line 4c. _____
 - 6 1990 recovery of grandfather amount (Multiply line 2 by the percentage on line 5.) Enter here and on line
17b or 21b of Form 5329 (ratably if both) _____
 - 7 Remaining unrecovered grandfather amount for 1991 (Subtract line 6 from line 1.) _____
-