



IRS Tax Tip 2015-28: Key Points to Know about Early Retirement Distributions

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Key Points to Know about Early Retirement Distributions

Some people take an early withdrawal from their IRA or retirement plan. Doing so in many cases triggers an added tax on top of the income tax you may have to pay. Here are some key points you should know about taking an early distribution:

1. **Early Withdrawals.** An early withdrawal normally means taking the money out of your retirement plan before you reach age 59½.
2. **Additional Tax.** If you took an early withdrawal from a plan last year, you must report it to the IRS. You may have to pay income tax on the amount you took out. If it was an early withdrawal, you may have to pay an added 10 percent tax.
3. **Nontaxable Withdrawals.** The added 10 percent tax does not apply to nontaxable withdrawals. They include withdrawals of your cost to participate in the plan. Your cost includes contributions that you paid tax on before you put them into the plan.

A [rollover](#) is a type of nontaxable withdrawal. A rollover occurs when you take cash or other assets from one plan and contribute the amount to another

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plan. You normally have 60 days to complete a rollover to make it tax-free.

4. Check Exceptions. There are many exceptions to the additional 10 percent tax. Some of the rules for retirement plans are different from the rules for IRAs. See IRS.gov for [details](#) about these rules.

5. File Form 5329. If you made an early withdrawal last year, you may need to file a form with your federal tax return. See [Form 5329](#), Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, for details.

6. Use IRS e-file. Early withdrawal rules can be complex. IRS [e-file](#) is easiest and most accurate way to file your tax return. The tax software that you use to e-file will pick the right tax forms, do the math and help you get the tax benefits you're due. Don't forget that with IRS Free File, you can e-file for free. Free File is only available through the IRS website at [IRS.gov/freefile](#).

More information on this topic is available on IRS.gov.

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Additional IRS Resources:

- IRA FAQs – Distributions (Withdrawals)
- [Publication 590](#), Individual Retirement Arrangements (IRAs)
- [Publication 575](#), Pension and Annuity Income
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