Sample article for organizations and employers to use to reach customers (465 word count)

Customize and provide the following article in your communication vehicles for your audience.

SIMPLE IRA withdrawal and transfer rules

Withdrawals from SIMPLE IRAs

Generally, you have to pay income tax on any amount you withdraw from your SIMPLE IRA. You may also have to pay an additional tax of 10 percent or 25 percent on the amount you withdraw unless you are at least age 59 1/2 or you qualify for another exception.

Additional Taxes

- **10 percent tax**
  You have to pay a 10 percent additional tax on the taxable amount you withdraw from your SIMPLE IRA if you are under age 59 1/2 when you withdraw the money unless you qualify for another exception to this tax. In some cases, this tax is increased to 25 percent.

- **25 percent tax**
  The amount of the additional tax you have to pay increases from 10 percent to 25 percent if you make the withdrawal within two years from when you first participated in your employer's SIMPLE IRA plan.

Exceptions to additional taxes

You don’t have to pay additional taxes if you are age 59 1/2 or older when you withdraw the money from your SIMPLE IRA. You also don’t have to pay additional taxes if, for example:

- Your withdrawal is **NOT** more than:
  - your unreimbursed medical expenses that exceed 10 percent of your adjusted gross income (7.5 percent if your spouse is age 65 or older),
  - your cost for your medical insurance while unemployed,
  - your qualified higher education expenses or
  - the amount to buy, build or rebuild a first home.
- Your withdrawal is in the form of an annuity.
- Your withdrawal is a qualified reservist distribution.
- You are disabled.
- You are the beneficiary of a deceased SIMPLE IRA owner.
- The withdrawal is the result of an IRS levy.

Transfers from SIMPLE IRAs

You may be able to transfer money in a tax-free rollover from your SIMPLE IRA to another IRA (except a Roth IRA) or to an employer-sponsored retirement plan (such as a 401(k), 403(b), or governmental 457(b) plan). However, during the 2-year period beginning when you first participated in your employer's SIMPLE IRA plan, you can only transfer money to another SIMPLE IRA. Otherwise, you are considered to have withdrawn the amount transferred, and you will have to:

- include the amount in your gross income, and
- pay an additional 25 percent tax on this amount, unless you are at least age 59 1/2 at the time of the transfer or you qualify for another exception (see above) to the additional tax.

After the 2-year period, you can make tax-free rollovers from SIMPLE IRAs to other types of non-Roth IRAs, or to an employer-sponsored retirement plan. You can also roll over money into a Roth IRA after the 2-year period, but must include any untaxed money rolled over in your income.

NOTE TO EDITOR: Below are helpful resources on retirement topics on IRS.gov.

- SIMPLE IRA Plan FAQs – information on SIMPLE IRAs, including the rules on withdrawing and transferring money.
- Retirement Topics – Exceptions to Tax on Early Distributions – describes when you don't have to pay additional taxes on money you withdraw from your SIMPLE IRA.
- Publication 590, *Individual Retirement Arrangements (IRAs)* – information on taxes you have to pay on withdrawals from SIMPLE IRAs.

On Twitter? Send these Tweets:

- Get information on transferring money from your #IRA or #retirement plan http://go.usa.gov/jzvT #IRS
- Learn about taxes on the money you take out of your #IRA or #retirement plan http://go.usa.gov/jzww #IRS