

Early Distribution Exceptions – Form 5329 Part I

Notes:

- *Some codes apply only to IRAs, some apply only to employer plans such as a 401(k); some apply to both.*
- *Code 03 applies if the taxpayer was considered disabled when the distribution occurred, i.e., it does not apply if the disability occurred after the distribution.*
- *For codes 05, 07 and 08, the distributions do not have to be specifically for the stated expenses, but the distribution and the expenses must occur in same tax year.*
- *For all other codes, the distribution must be specifically for the reason applicable to that code – see Pub 590-B and Form 5329 Instructions for details*

05 Qualified retirement plan distributions up to the amount paid for unreimbursed medical expenses during the year minus 10% (or 7.5% if taxpayer or spouse were 65 or older) of adjusted gross income (AGI) for the year. Applies to IRA and employer plan distributions.

Example: Joyce, age 50 withdrew \$10K from her 401(k). Her total unreimbursed qualified medical expenses for the year were \$8K. Her AGI is \$50K.

Item	Amount
Early distribution included in income	\$10,000
Amount of early distribution not subject to additional tax	\$8,000 of medical expenses less 10% of her \$50K AGI or \$8,000 minus \$5,000 = \$3,000
Amount subject to additional tax	\$10,000 minus \$3,000 = \$7,000
10% Additional tax	\$700

08 IRA distributions made for qualified higher education expenses. It does not apply to employer plan distributions. [Click here to see pages J-2 and J-3 for more information.](#)

Example: Bob, age 54, withdrew \$10,000 from his traditional IRA. Bob's son James is a more than half-time student at a local college. Bob can apply expenses paid for himself, his spouse, his or his spouse's child, foster child, adopted child, or descendant of any of them to this exception. Note – the student does **not** have to be a dependent. If the student is at least a half-time student, room and board are qualified education expenses only to the extent they are not more than the greater of the allowance for room and board, as determined by the educational institution, that was included in the cost of attendance (for federal financial aid purposes) for the academic period, and the actual amount charged if the student is residing in housing owned or operated by the educational institution.

Scenario	Applicable to Exception
Bob pays college \$12,000 for tuition, books and fees	\$10,000
Scholarship covers tuition, books and fees. <ul style="list-style-type: none"> – James lives in on-campus housing with room and board* – James lives at home* – James lives in off-campus housing* 	<ul style="list-style-type: none"> – Standard cost for school-operated housing – Actual cost for room and board limited to amount determined by Institution for students residing at home – Actual cost for room and board limited to amount determined by Institution for students residing off-campus in private facilities

* Taxpayer must obtain the appropriate room and board allowance from the Institution. This allowance represents either the only amount (on-campus housing) or the maximum amount that can be claimed toward this exception. See <https://www.admissions.ucla.edu/prospect/budget.htm> for an example. If the Institution has no allowance for a specific room and board situation, then nothing can be claimed.