

X Periodic Distributions *o NJ*

If you make withdrawals from a traditional IRA or *nonqualified* withdrawals from a Roth IRA over a period of years, you must report the portion of the annual distribution that represents interest and accumulated gains (including amounts rolled over and not previously taxed) as taxable income each year a withdrawal is made. The amount subject to tax is based on the ratio that the taxable portion of the account bears to the total amount in the account. Residents must also report the excludable portion of the distribution on Line 20b, Form NJ-1040.

Use the following formula to determine the taxable amount of a distribution from a traditional IRA or a *nonqualified* distribution from a Roth IRA:

$$\frac{\text{Taxable Portion}}{\text{Total Value}} \times \text{Distribution} = \text{Taxable Amount}$$

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IRA Withdrawals

Total Value means the value of the IRA on December 31 of the tax year (including contributions made for the tax year from January 1 through April 15 of the following year), plus total IRA distributions during the tax year.

Taxable Portion means the Total Value minus previously taxed contributions.

In the first year a withdrawal is made, *contributions* means the total amount you contributed to the IRA from the time the account was opened through the end of the tax year in which the first withdrawal was made. (It does not include amounts rolled over and not previously taxed.)

After the first year, the formula for calculating the portion of a distribution that is taxable remains the same, but the base for each item changes to take into account the fact that both taxable and excludable (nontaxable) amounts have been withdrawn from the account. See **example**.

Residents may calculate the excludable amount by subtracting the portion of their distribution that is taxable from the total distribution. Then enter that number on Line 20b, Form NJ-1040.