

# Retirement Plan Cost Basis—Simplified Method Worksheet (2022)

Use this worksheet to calculate the taxable and nontaxable portion of pension or annuity payments received during the year. The simplified method must be used if the taxpayer's annuity starting date is after November 18, 1996 and both of the following conditions are met.

- Pension or annuity payments are received from any of the following.
  - Qualified employee plan.
  - Qualified employee annuity.
  - Tax-sheltered annuity plan [403(b) plan]
- On the annuity starting date, at least one of the following conditions applies.
  - The taxpayer is under age 75.
  - The taxpayer is entitled to less than five years of guaranteed payments.

**More than one pension or annuity.** If the taxpayer had more than one partially taxable pension or annuity, compute the taxable part of each separately. Enter the total of the taxable parts on line 5b, Form 1040 or Form 1040-SR. Enter the total pension or annuity payments received in 2022 on line 5a, Form 1040 or Form 1040-SR.

- 1) Enter total pension or annuity payments received during the year. Also enter this amount on line 5a, Form 1040 or Form 1040-SR..... 1) \_\_\_\_\_
- 2) Enter cost basis in the plan as of the start date ..... 2) \_\_\_\_\_

**Note.** If this worksheet was completed last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below (even if the amount of the pension or annuity has changed). Otherwise go to line 3.
- 3) Enter appropriate number from tables (below)..... 3) \_\_\_\_\_
- 4) Divide line 2 by line 3 ..... 4) \_\_\_\_\_
- 5) Multiply line 4 by the number of month's for which this year's payments were made. If the annuity starting date was before 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise go to line 6 ..... 5) \_\_\_\_\_
- 6) Enter the amount, if any recovered tax free in years after 1986. If this worksheet was completed last year, enter the amount from line 10 of last year's worksheet ..... 6) \_\_\_\_\_
- 7) Subtract line 6 from line 2 ..... 7) \_\_\_\_\_
- 8) Enter the smaller of line 5 or line 7 ..... 8) \_\_\_\_\_
- 9) **Taxable amount.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also add this amount to the total for line 5b, Form 1040 or Form 1040-SR. If Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R. If the taxpayer is a retired public safety officer, see *Public Safety Officers*, page 3-21, *TheTaxBook*, 1040 Edition/Deluxe Edition ..... 9) \_\_\_\_\_
- 10) Was the annuity starting date before 1987?

**Yes.** STOP. Do not complete the rest of the worksheet.  
**No.** Add lines 6 and 8. This is the amount recovered tax free through 2022. Use this number if the worksheet is filled out next year ..... 10) \_\_\_\_\_
- 11) Balance of cost to be recovered. Subtract line 10 from line 2. If zero, do not complete this worksheet next year. The payments received will generally be fully taxable ..... 11) \_\_\_\_\_

## Tables for Line 3

Age at Annuity Start Date:	Start Date Before November 19, 1996	Start Date After November 18, 1996
55 or under .....	300	360
56 – 60 .....	260	310
61 – 65 .....	240	260
66 – 70 .....	170	210
71 or over .....	120	160

Combined Ages of Annuitant and Beneficiary at Start Date:	Start Date After December 31, 1997
110 or under .....	410
111 – 120 .....	360
121 – 130 .....	310
131 – 140 .....	260
141 or over .....	210

**Note:** Use the combined ages table only if the start date is after December 31, 1997, and annuity payments are based on the life of the annuitant and a beneficiary. Otherwise use one of the other tables.