

Internal Revenue Code Section 4974(e)

Excise tax on certain accumulations in qualified retirement plans

(a) General rule.

If the amount distributed during the taxable year of the payee under any qualified retirement plan or any eligible deferred compensation plan (as defined in section 457(b)) is less than the minimum required distribution for such taxable year, there is hereby imposed a tax equal to 25 percent of the amount by which such minimum required distribution exceeds the actual amount distributed during the taxable year. The tax imposed by this section shall be paid by the payee.

(b) Minimum required distribution.

For purposes of this section , the term "minimum required distribution" means the minimum amount required to be distributed during a taxable year under section 401(a)(9) , 403(b)(10) , 408(a)(6) , 408(b)(3) , or 457(d)(2) , as the case may be, as determined under regulations prescribed by the Secretary.

(c) Qualified retirement plan.

For purposes of this section , the term "qualified retirement plan" means-

- (1) a plan described in section 401(a) which includes a trust exempt from tax under section 501(a) ,
- (2) an annuity plan described in section 403(a) ,
- (3) an annuity contract described in section 403(b) ,
- (4) an individual retirement account described in section 408(a) , or
- (5) an individual retirement annuity described in section 408(b) .


Such term includes any plan, contract, account, or annuity which, at any time, has been determined by the Secretary to be such a plan, contract, account, or annuity.

(d) Waiver of tax in certain cases.

If the taxpayer establishes to the satisfaction of the Secretary that-

- (1) the shortfall described in subsection (a) in the amount distributed during any taxable year was due to reasonable error, and
- (2) reasonable steps are being taken to remedy the shortfall,

the Secretary may waive the tax imposed by subsection (a) for the taxable year.

 (e) Reduction of tax in certain cases.

(1) Reduction.

In the case of a taxpayer who-

(A) receives a distribution, during the correction window, of the amount which resulted in imposition of a tax under subsection (a) from the same plan to which such tax relates, and

(B) submits a return, during the correction window, reflecting such tax (as modified by this subsection),

the first sentence of subsection (a) shall be applied by substituting "10 percent" for "25 percent".

(2) Correction window.

For purposes of this subsection, the term "correction window" means the period of time beginning on the date on which the tax under subsection (a) is imposed with respect to a shortfall of distributions from a plan described in subsection (a) , and ending on the earliest of-

(A) the date of mailing a notice of deficiency with respect to the tax imposed by subsection (a) under section 6212 ,

(B) the date on which the tax imposed by subsection (a) is assessed, or

(C) the last day of the second taxable year that begins after the end of the taxable year in which the tax under subsection (a) is imposed.