Note: *The draft you are looking for begins on the next page.*

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Instructions for Form 1098-Q

(Rev. April 2025)

Qualifying Longevity Annuity Contract Information

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1098-Q and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form1098Q*.

You can get the General Instructions for Certain Information Returns at *IRS.gov/1099GeneralInstructions*.

What's New

Annual inflation adjustments to dollar limitations on premiums. For the inflation adjusted amount, see the dollar limitation on premiums paid for a QLAC, visit *Annual adjustment for maximum contributions and benefit limitations for certain retirement plans* (for the tax year of the return being filed).

New regulations affect Qualifying Longevity Annuity Contracts (QLAC). Final regulations under section 401(a)(9) were published in TD 10001, effective date of September 17, 2024. The final regulations under section 401(a)(9) apply for distribution calendar years beginning on or after January 1, 2025.

Reminders

In addition to these specific instructions, you should also use the current General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Who must file.
- When and where to file.
- Electronic reporting.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers (TINs).
- Backup withholding.
- Penalties.
- Other general topics.

Continuous use revision. Use these instructions for tax year 2025 and subsequent years until a superseding revision is issued.

Divorce guidelines. A divorce that occurs after the purchase of a qualifying longevity annuity contract with joint and survivor annuity benefits will not affect the permissibility of the benefits payable under the contract, provided that certain requirements are met. See *Divorce guidelines* under *Death of Employee*, later.

Online fillable Copy B. To ease statement furnishing requirements, Copy B of Form 1098-Q is fillable online in a PDF format, available at *IRS.gov/Forms1098Q*. You can complete this copy online for furnishing statements to recipients and for retaining in your own files.

Repeal of 25% premium limit. Premiums are no longer limited to 25% of an individual's retirement account balance. See *QLACs Purchased Before December 29, 2022*, later.

Short free look period permitted. The right to rescind a contract within 90 days following the date of purchase will not cause the contract to fail to be a QLAC. See *Specific Instructions*, later.

Specific Instructions

File Form 1098-Q, Qualifying Longevity Annuity Contract Information, if you issue any contract that is intended to be a qualifying longevity annuity contract (QLAC). Prior to annuitization, the value of a QLAC is excluded from the account balance that is used to determine required minimum distributions. A QLAC is an annuity contract that is purchased from an insurance company for an employee under any plan, annuity, or account described in section 401(a), 403(a), 403(b), or 408 (other than a Roth IRA) or eligible governmental plan under section 457(b), and that satisfies each of the following requirements.

- Premiums for the contract satisfy the dollar limitation described later under *Limitation on Premiums—Plans* or *Limitation on Premiums—IRAs*, as applicable.
- The contract provides that distributions under the contract must begin no later than a specified annuity starting date that is no later than the first day of the month after the employee's 85th birthday.
- The contract provides that, after distributions under the contract begin, those distributions must satisfy the requirements of Regulations section 1.401(a)(9)-6 (other than the requirement that annuity payments begin on or before the required beginning date).
- After the required beginning date, the contract does not make available any commutation benefit, cash surrender right, or other similar feature (other than a right to rescind the contract within a period not exceeding 90 days from the date of purchase).
- No benefits are provided under the contract after the death of the employee other than the benefits described in paragraph (q)(3) of Regulations section 1.401(a)(9)-6.
- When the contract is issued, the contract (or a rider or endorsement with respect to that contract) states that the contract is intended to be a QLAC, and
- The contract is not a variable contract under section 817, an indexed contract, or similar contract, except to the extent provided by the Commissioner in published guidance.

An employee includes the owner of an IRA (other than a Roth IRA), where applicable.

Limitation on Premiums—Plans

The premiums paid with respect to the contract on a date satisfy the limitation requirement if they do not exceed the limitation amount. For 2025, the limitation amount is $200,000. This amount is adjusted for inflation for calendar years beginning on or after January 1, 2025, with increases rounded to the next lowest multiple of $10,000. For the inflation adjusted amount, see the dollar limitation on premiums paid for a QLAC by visiting the applicable annual notice at *Annual adjustment for maximum contributions and* [benefit limitations for certain retirement plans] for the tax year of the return being filed.

For purposes of the dollar limitation on premiums, unless the plan administrator has actual knowledge to the contrary, the plan administrator may rely on an employee's representation, made in writing or such other form as outlined in published guidance, of the amount of the premiums paid for any other contract intended to be a QLAC, but only with respect to premiums that are not paid under a plan, annuity, or contract that is maintained by the employer or an entity that is treated as a single employer with the employer under section 414(b), (c), (m), or (o).

Limitation on Premiums—Traditional IRAs

The premiums paid with respect to the contract on a date satisfy the limitation requirement if they do not exceed the limitation amount. For 2025, the limitation amount is $200,000. This amount is adjusted for inflation for calendar years beginning on or after January 1, 2025, with increases rounded to the next lowest multiple of $10,000. For the inflation adjusted amount, see the dollar limitation on premiums paid for a QLAC by visiting the applicable annual notice at [Annual adjustment for maximum contributions and benefit limitations for certain retirement plans] for the tax year of the return being filed.

For purposes of the dollar limitation on premiums, unless the trustee, custodian, or issuer of an IRA has actual knowledge to the contrary, the trustee, custodian, or issuer may rely on the IRA owner's representation, made in writing or in such other form as outlined in published guidance, of the amount of premiums paid for any other contract intended to be a QLAC and that are not paid under the IRA, and the account balance of any other IRA. A contract that is purchased under a Roth IRA is not treated as a contract that is intended to be a QLAC for purposes of applying the dollar limitation rule.

Exchange of Insurance Contract for QLAC

With respect to the dollar limitation on premiums (adjusted for inflation), if an insurance contract is exchanged for a contract intended to be a QLAC, the FMV of the exchanged contract is treated as a premium paid for the QLAC. However, if an insurance contract is surrendered for its cash value, the surrender extinguishes all benefits and other characteristics of the contract, and the cash is used to purchase a QLAC, then only the cash from the surrendered contract is treated as a premium paid for the QLAC.

QLACs Purchased Before December 29, 2022

Prior to December 29, 2022, a percentage limitation and a lower dollar limitation was applied to QLAC premiums. If additional premiums are paid under a contract after December 29, 2022, those premiums are subject to the new premium limitation described above, provided that the premiums paid for the contract through December 28, 2022, satisfied the premium limitations that applied prior to December 29, 2022. The existing contract need not be exchanged for another annuity contract on or after that date in order for the employee to take advantage of the higher premium limits.

QLACs Purchased After December 28, 2022

For contracts purchased or received on or after December 29, 2022, the 25% limit is repealed, and the dollar limitation for QLACs has been adjusted for inflation.

Consequences of Excess Premiums

If an annuity contract fails to be a QLAC solely because a premium for a contract exceeds the limitation on premiums described earlier, then the contract is not a QLAC beginning on the date that premium payment is made unless the excess premium is returned to the non-QLAC portion of the employee's account in accordance with Regulations section 1.401(a)(9)-6(q)(4)(i)(B). If the contract fails to be a QLAC, then the value of the contract may not be disregarded under Regulations section 1.401(a)(9)-5(b)(4) as of the date on which the contract ceases to be a QLAC.

If the excess premium is returned to the non-QLAC portion of the employee's account by the end of the calendar year following the calendar year in which the excess premium was originally paid, then the contract will not be treated as exceeding the premium limitation at any time, and the value of the contract will not be included in the employee's account balance under Regulations section 1.401(a)(9)-5(b)(4).

If the excess premium is returned to the non-QLAC portion of the employee's account after the last valuation date for the calendar year in which the excess premium was originally paid, then the employee's account balance for that calendar year must be increased to reflect the excess premium in the same manner as an employee's account balance is increased under Regulations section 1.401(a)(9)-7(b) to reflect a rollover received after the last valuation date.

If the excess premium is returned to the non-QLAC portion of the employee's account, as described above, it will not be treated as a violation of the requirement that the contract not provide a commutation benefit.

Death of Employee

Surviving spouse is the sole beneficiary. If the employee dies on or after the annuity starting date for the contract, the only benefit allowed to be paid (except as provided in Regulations section 1.401(a)(9)-6(q)(3)(v)) after the employee's death is a life annuity payable to the surviving spouse where the annuity payment is not in excess of 100% of the annuity payment that is payable to the employee.

If the employee dies before the annuity starting date, the only benefit allowed (except as provided in Regulations section 1.401(a)(9)-6(q)(3)(v)) is a life annuity payable to the surviving spouse where the annuity payment is not in excess of 100% of the annuity payment that would have been payable to the employee as of the date that benefits to the surviving spouse start. However, the annuity is permitted to exceed 100% of the annuity payment that would have been payable to the employee to the extent necessary to satisfy the requirement to provide a qualified preretirement survivor annuity (as defined under section 417(c)(2) or ERISA section 205(e)(2)) pursuant to section 401(a)(11)(A)(ii) or ERISA section 205(a)(2).

Any annuity payable to the surviving spouse of an employee who dies before the annuity starting date must start no later than the date on which the annuity payable to the employee would have started under the contract if the employee had not died.

Surviving spouse is not the sole beneficiary. If the employee dies on or after the annuity starting date for the contract, the only benefit allowed (except as provided in Regulations section 1.401(a)(9)-6(q)(3)(v)) after death is a life annuity payable to the designated beneficiary where the annuity payment is not in excess of the applicable percentage (determined under Regulations section 1.401(a)(9)-6(q)(3)(iii)) of the annuity payment that is payable to the employee.

When the employee dies before the annuity starting date, the only benefit allowed to be paid (except as provided in Regulations section 1.401(a)(9)-6(q)(3)(v)) is a life annuity payable to the designated beneficiary where the annuity payment is not in excess of the applicable percentage (determined under Regulations section 1.401(a)(9)-6(q)(3)(iii)) of the annuity payment that would have been payable to the employee as of the date that benefits to the designated beneficiary start.

In any case where the employee dies before the annuity starting date, any life annuity payable to a designated beneficiary must begin by the last day of the calendar year immediately following the year of the employee's death.

Multiple beneficiaries. If an employee has more than one designated beneficiary under a QLAC, the rules in Regulations section 1.401(a)(9)-8(a) apply for purposes of Regulations section 1.401(a)(9)-6(q)(3)(i) and (ii).

Divorce guidelines. If there is a divorce after a purchase of a QLAC, the payment of survivor benefits to an employee's former spouse will not cause the contract to fail to be treated as a QLAC, if the divorce or separation instrument, or qualified domestic relations order under section 414(p):

- Provides that the former spouse is entitled to survivor benefits under the contract,
- Provides that the former spouse is treated as the surviving spouse for purposes of the contract,
- Does not modify the former spouse's status as beneficiary entitled to survivor benefits under the contract, or
- Does not modify the former spouse as the measuring life for survivor benefits under the contract.

Return of Premiums

In general, in lieu of a life annuity payable to a designated beneficiary under Regulations section 1.401(a)(9)-6(q)(3)(i) or (ii), a QLAC is permitted to provide for a benefit paid to a beneficiary after the death of the employee in an amount equal to the excess of the premium payments made with respect to the QLAC over the payments already made under the QLAC.

If a QLAC is providing or will provide a life annuity to a surviving spouse under Regulations section 1.401(a)(9)-6(q)(3)(i), it is also permitted to provide for a benefit paid to a beneficiary after the death of both the employee and the spouse in an amount equal to the excess of the premium payments made with respect to the QLAC over the payments already made under the QLAC.

A return of premium payment under Regulations section 1.401(a)(9)-6(q)(3)(v) must be paid no later than the end of the calendar year following the calendar year in which the employee dies. If the employee’s death is after the required beginning date, the return of premium payment is treated as a required minimum distribution (RMD) for the year in which it is paid and is not eligible for rollover. See the Instructions for Forms 1099-R and 5498 for further information regarding rollovers and RMDs.

If the return of premium payment is paid after the death of a surviving spouse who is receiving a life annuity (or after the death of a surviving spouse who has not yet begun receiving a life annuity after the death of the employee), the return of premium payment must be made no later than the end of the calendar year following the calendar year in which the surviving spouse dies. If the surviving spouse’s death is after the required beginning date for the surviving spouse, then the return of premium payment is treated as an RMD for the year in which it is paid and is not eligible for rollover.

Who Must File

Any person who issues a contract intended to be a QLAC that is purchased or held under any plan; annuity; account described in section 401(a), 403(a), 403(b), or 408 (other than a Roth IRA); or eligible governmental plan under section 457(b) must file Form 1098-Q.

Furnishing Statements to Participants

If you are required to file Form 1098-Q, you must furnish a statement to the participant annually. For more information about the requirement to furnish a statement to each participant, see part M in the current General Instructions for Certain Information Returns.

Truncating participant's TIN on payee statements. Pursuant to Regulations section 301.6109-4, all filers of this form may truncate a participant's TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A filer's TIN may not be truncated on any form. See part K in the current General Instructions for Certain Information Returns.

Manner and time for filing. You must file Form 1098-Q with the IRS and furnish a statement to the individual in whose name the contract has been purchased for each calendar year beginning with the year in which the premiums for a contract are first paid and ending with the earlier of the year in which the individual in whose name the contract has been purchased reaches age 85 or dies. If the individual dies and the sole beneficiary under the contract is the individual's spouse (in which case the spouse's annuity would not be required to begin until the individual would have started benefits under the contract had the individual survived), you must file Form 1098-Q and provide a statement annually to the spouse until the year in which the distributions to the spouse begin or the year in which the spouse dies, if earlier.

Issuer's Name, Address, Telephone Number, and TIN Boxes

Enter the name, address (including street address, city or town, state or province, country, and ZIP or foreign postal code), and telephone number of the entity with the filing requirement (issuer) in the box in the upper left corner. The telephone number must allow a participant to reach a person knowledgeable about the information reported on the form.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1098-Q. Additionally, the IRS encourages you to designate an account number for all Forms 1098-Q that you file. See part L in the current General Instructions for Certain Information Returns.

Plan Number, Name of Plan, and Employer Identification Number

If the contract was purchased under a plan, enter the name of the plan, the plan number, and the EIN of the plan sponsor.

Box 1a. Annuity Amount on Start Date

If the payments have not yet started, enter the amount of the periodic annuity payable on the start date.

Box 1b. Annuity Start Date

If the payments have not yet started, enter the annuity starting date on which the annuity is scheduled to start.

Box 2. Check if Start Date May Be Accelerated

Check the box if payments have not yet started and the start date may be accelerated.

Box 3. Total Premiums

Enter the cumulative total amount of all premiums paid for the contract through the end of the calendar year.

Box 4. FMV of QLAC

Enter the fair market value (FMV) of the QLAC as of the close of the calendar year.

Boxes 5a Through 5l

Enter the amount of each premium paid for the contract and the date of the premium payment.