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Changes to IRA Conversion Rules Effective in 2010

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Background	The Senate has passed a \$70 billion tax reconciliation package that contains a provision that will allow everyone to make IRA conversion contributions. The President has signed the package into law.
Effective	This implementation will be effective in 2010.
No MAGI Limit	<p>The \$100,000 modified adjusted gross income (MAGI) limit on conversions of traditional IRAs to Roth IRAs will be eliminated effective for 2010 and later (technically, for tax years beginning after December 31, 2009.)</p> <p>This also eliminates the tax filing test.</p> <p>The effect of this change is that anyone who has a traditional IRA can make an IRA conversion contribution in 2010 and later years.</p>
Income Averaging	For conversions occurring in 2010, unless a taxpayer elects otherwise, the amount includible in gross income as a result of the conversion will not be taxed in 2010, but instead it will be taxed one-half in 2011 and one-half in 2012.

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