

2006 Pension Protection Act - Qualified Plan Rollovers to Roth IRAs

The Pension Protection Act of 2006 (Pension Act) amends the rules governing direct rollovers to Roth IRAs. The amendment allows direct rollovers of distributions from qualified plans other than traditional IRAs to Roth IRAs. Your distributions that are rolled over to Roth IRAs from "other" qualified plans are subject to the same rollover rules and limitations that apply to traditional IRA distributions, and can be made before you attain the age of 59 1/2 without incurring the 10-percent early withdrawal penalty. The amendment applies to distributions from "other" retirement plans, such as employer-sponsored tax-qualified plans, tax-sheltered annuities, and certain governmental plans, made after December 31, 2007.

Prior to the Pension Act, the only permitted rollovers to a Roth IRA were from traditional IRAs. If you wanted to roll over a distribution from any other qualified plan, you had to first roll over that distribution to a traditional IRA, then move it to a Roth IRA. The 10-percent early-withdrawal penalty applied if such distribution was made before age 59 1/2 and did not meet any of the early-withdrawal penalty exceptions. Married taxpayers filing separately and taxpayers whose AGI exceeds \$100,000 may not roll over distributions from traditional IRAs or from these "other" qualified plans. However, for tax years beginning in 2010, the \$100,000 AGI limit on the conversion of a traditional IRA to a Roth IRA is eliminated.

A review of your W-2 information indicates that you are or have been a participant in an employer-sponsored retirement plan. Therefore, this information may be of interest to you if you are contemplating taking distributions from these plans or will be retiring after 2007. You may avoid the early-withdrawal penalty if you are not yet age 59 1/2 when a distribution is made and rolled over if it is possible to postpone such distribution until 2008.

Please contact us at your earliest opportunity if you would like additional information about this change in the Roth IRA rollover rules or about how it will impact your distribution plans for the remainder of 2006 and 2007.