MEMO# 10646

January 14, 1999

MASSACHUSETTS' DEPARTMENT OF REVENUE RELEASES ROTH IRA GUIDANCE

[10646] January 14, 1999 TO: PENSION MEMBERS No. 5-99 PENSION OPERATIONS ADVISORY COMMITTEE No. 4-99 TRANSFER AGENT ADVISORY COMMITTEE No. 7-99 RE: MASSACHUSETTS' DEPARTMENT OF REVENUE RELEASES ROTH IRA GUIDANCE ____ The Massachusetts Department of Revenue has recently released Technical Information Release ("TIR") 98-8, Income Tax, Massachusetts 1998 Reducing Income Taxes Act ("the Act"), which provides guidance on Massachusetts personal income tax treatment of Roth IRAs and Education IRAs. Specifically, TIR 98-8 states that Massachusetts adopts the federal tax treatment of Roth and Education IRAs under the current Internal Revenue Code and automatically adopts any future changes to the federal Roth and Education IRA provisions. In addition, TIR 98-8 states that Massachusetts also adopts the federal gross income exclusion for voluntary employee contributions to a section 403(b) annuity retirement program of an employer. Previously, only contributions to a section 403(b) retirement plan that were mandated by the plan were excluded from Massachusetts gross income. TIR 98-8 also addresses conformity of other Massachusetts personal income tax provisions to the Internal Revenue Code. The Massachusetts Department of Revenue also released TIR 98-15, Personal Income Tax, The Effect of the Adoption of the Updated Internal Revenue Code on the Massachusetts Personal Income Tax ("Code Update"). The purpose of the technical release is to explain the major changes to the Massachusetts personal income tax provisions as a result of the 1998 legislation that conforms the Massachusetts personal income tax law to the Internal Revenue Code as amended and in effect on January 1, 1998. Previously, the Massachusetts personal income tax law conformed to the Internal Revenue Code as amended as of January 1, 1988. TIR 98-15 lists exclusions from federal gross income which will now be excluded from Massachusetts gross income including SIMPLE plan contributions and certain distributions from Medical Savings Accounts. Copies of TIR 98-8 and TIR 98-15 are attached. Kathryn A. Ricard Assistant Counsel Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Library Services Division at (202)326- 8304, and ask for this memo's attachment number: 10646.