

MEMO# 10385

October 16, 1998

UPDATE ON STATE LAW CONFORMITY WITH THE ROTH IRA

1 See Institute Memorandum to Pension Members No. 50-98, Pension Operations Advisory Committee No. 34-98 and Transfer Agent Advisory Committee No. 46-98, dated July 31, 1998. [10385] October 16, 1998 TO: PENSION MEMBERS No. 62-98 PENSION OPERATIONS ADVISORY COMMITTEE No. 51-98 TRANSFER AGENT ADVISORY COMMITTEE No. 65-98 RE: UPDATE ON STATE LAW CONFORMITY WITH THE ROTH IRA

As you were previously informed in a recent memorandum¹, most states have passed legislation that conforms the individual income tax provisions of their tax code to the Internal Revenue Code in order to conform state tax treatment of the Roth IRA with federal tax treatment. The attached chart provides information concerning the status of applicable conformity legislation in each state that requires such legislation. Note that since the last memorandum, the conformity legislation in North Carolina has been signed into law. We will continue to monitor the progress of the pending conformity legislation in the remaining jurisdiction, the District of Columbia. As noted in the previous memorandum, it is unclear whether the technical corrections legislation to the Taxpayer Relief Act of 1997 will automatically take effect in Alabama, California, Massachusetts and New Jersey. Recently, the governor of California vetoed a bill that would have conformed the state tax treatment of the Roth IRA in California to the technical corrections provisions (A.B. 1469). We understand that the California Franchise Tax Board will be issuing guidance concerning Roth IRA tax implications for California state residents in the near future. In addition, several states passed legislation that clarifies the state tax treatment of the Roth IRA, including Mississippi (H.B. 1794) and Tennessee (H.B. 2607). Finally, a bill is pending in the Pennsylvania legislature that would clarify the tax treatment of the Roth IRA in Pennsylvania (S.B. 1289). If you would like copies of any state legislation or have any questions concerning Roth IRA conformity legislation, please call me at (202) 218-3563. Kathryn A. Ricard Assistant Counsel Attachment