

MEMO# 9933

May 15, 1998

SENATE PASSES BILL WITH ROTH IRA TECHNICAL CORRECTIONS AND CHANGES TO ELIGIBILITY FOR IRA CONVERSIONS

[9933] May 15, 1998 TO: BOARD OF GOVERNORS No. 28-98 FEDERAL LEGISLATION
MEMBERS No. 7-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 36-98 PUBLIC
INFORMATION COMMITTEE No. 16-98 RE: SENATE PASSES BILL WITH ROTH IRA TECHNICAL
CORRECTIONS AND CHANGES TO ELIGIBILITY FOR IRA CONVERSIONS

On May 7, 1998, the Senate approved H.R. 2676, a bill that would restructure the Internal Revenue Service, but which also includes technical corrections to the Taxpayer Relief Act of 1997 and liberalizes eligibility for conversion of regular IRAs into Roth IRAs. The House passed a comparable version of H.R. 2676 last fall. The technical corrections title of H.R. 2676 includes provisions designed to clarify several issues relating to Roth IRA conversions, Education IRAs, distributions from IRAs and qualified plans, and U.S. investments in foreign securities. These changes are generally supported by the Institute. The Senate bill also contains a new provision, not included in the House bill, that would expand eligibility for conversion of a regular IRA into a Roth IRA. Under current law, eligibility for Roth IRA conversions is limited to individuals or couples whose adjusted gross income (AGI) is less than \$100,000. For persons over age 70½, who are required to take a minimum distribution from their regular IRA, the minimum distribution must be included in their AGI in the year the distribution is taken. As a result, some individuals become ineligible to make a Roth IRA conversion because, with the minimum distribution, their income exceeds \$100,000. Under the Senate version of H.R. 2676, minimum distributions would not be included in AGI for purposes of determining eligibility for converting to a Roth IRA. The Senate provision would become effective in 2005. Conferees will be appointed in the near future to develop a compromise version of the legislation. We will keep you informed as this matter develops.

Matthew P. Fink President

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