

WHEN A ROTH IRA IS SUBJECT TO INCOME TAX

This chart is meant as a quick reference guide only and should not replace a thorough review of the applicable Code sections. The practitioner should not rely on this table in determining the taxation of a particular distribution from a Roth IRA.

Income Tax	
Distribution After Five Years of First Conversion, plus -on or after age 59½, or -after death, or -attributable to being disabled, or -up to \$10,000 for first time home purchase = Qualified Distribution ¹	No ²
Distribution After Five Years of First Conversion, but NOT : -on or after age 59½, or -after death, or -attributable to being disabled, or -up to \$10,000 for first time home purchase = Non-Qualified Distribution	Yes, unless distributions do not exceed basis. ³
Distribution Within Five Years of First Conversion = Non-Qualified Distribution	Yes, unless distributions do not exceed basis. ⁴

10% Early Distribution Penalty	
Distribution made after taxpayer is age 59½	No
Non-Qualified Distribution made within five years of conversion and before taxpayer is age 59½	Yes, (unless an exception to the 10% penalty applies. See IRC Sec. 72(t)) to the extent the qualified rollover contribution was includable in gross income at the time of conversion. ⁵
Non-Qualified Distribution made after five years of conversion and before taxpayer is age 59½	Yes, (unless an exception to the 10% penalty applies. See IRC Sec. 72(t)) but only to the amount included in income. ⁶
Qualified Distribution made before taxpayer is age 59½	No. ⁷

¹ IRC Sec. 408A(d)(2)(A)(i).

² IRC Sec. 408A(d)(1).

³ Treas. Reg. Sec. 1.408A-6, Q&A 1(b).

⁴ Treas. Reg. Sec. 1.408A-6, Q&A 1(b).

⁵ Treas. Reg. Sec. 1.408A-6, Q&A 5(a).

⁶ Treas. Reg. Sec. 1.408A-6, Q&A 5(a).

⁷ Treas. Reg. Sec. 1.408A-6, Q&A 5(a).

Educational Information: Email emily.rosenberg@keeblerandassociates.com to be added to our newsletter, for previous write-ups about new IRA regulations, licensing agreements, seminars, CDs or books, webinars and speeches.

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