

CONVERSION TO ROTH IRA

If a taxpayer converts some (or all) of his traditional IRA to a ROTH IRA, he will receive a 1099-R. It will have a "2" in box 7 if he is under 59½ (a "7" if he's older).

Complete the 1099-R as usual, check the box (just above the Simplified General Rule) that's labeled, "* If this is a conversion from a traditional IRA to a Roth IRA, check."

Form 8606 will be added to the tree. After all income and adjustments have been entered, look at page 2 of the 8606 to see if the taxpayer is allowed to make the conversion.

The conversion amount is taxable to the same degree any distribution would be. There is no early distribution penalty.

Deb 2010