



Muckel Anderson CPAs

A PROFESSIONAL CORPORATION

WE LOVE ACCOUNTING, SO YOU DON'T HAVE TO.

Roth IRA Conversions. Beginning in 2010, the AGI Limit of \$100,000 on conversions of traditional IRAs to Roth IRAs is eliminated. The conversion is treated as a taxable distribution and taxed as ordinary income at your marginal tax rate. A Roth IRA grows tax free, and distributions after age 59 ½ are tax free. Congress provided a special incentive in 2010 for individuals to convert their traditional IRA to a Roth IRA. Individuals have the choice of recognizing their conversion income in 2010 or averaging it over 2011 and 2012. The benefit here is that it allows you to pay taxes on the converted amount ratably over two years instead of recognizing it all as income in one year. You will be taxed at the rates in effect in 2011 and 2012, which could be higher than in 2010.