

## **2010 Conversion of a Traditional IRA to a Roth IRA**

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P.L. 1998, c. 57, which was signed into law on July 24, 1998, conformed the New Jersey Gross Income Tax treatment of Roth IRAs to the Federal Income Tax treatment. Beginning in 1998, contributions to Roth IRAs are not deductible but qualified distributions can be excluded from New Jersey gross income.

Therefore, New Jersey also conforms to the Federal Tax Increase Prevention and Reconciliation Act of 2005 provision regarding the Federal Income Tax reporting of a distribution from an IRA which the taxpayer converts into a Roth IRA in 2010. If a taxpayer chooses to defer the income resulting from a Roth IRA conversion for Federal purposes to 2011 and 2012, the same deferral will be honored for New Jersey gross income tax purposes. However, if a taxpayer chooses to report the entire income resulting from a Roth IRA conversion in 2010, the taxpayer will also be required to report the income for New Jersey gross income tax purposes in 2010.