DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2010-01

Re: Relating to the Conversion of Eligible Non-Roth IRAs into Roth IRAs


This Act allows taxpayers to convert eligible non-Roth IRAs to Roth IRAs regardless of income effective for tax years beginning after December 31, 2009. Previously, only taxpayers with federal adjusted gross incomes of $100,000 or less could exercise this option. For federal income tax purposes, the taxable income resulting from the conversion of an eligible non-Roth IRA to a Roth IRA shall be included in the taxpayer’s income over a two-year period with the first taxable year beginning in 2011, unless the taxpayer elects otherwise under Internal Revenue Code (IRC) §408A(d)(3). Eligible non-Roth IRAs are defined in IRC §402(c)(8)(B) and include eligible retirement plans as described in IRC §§403(a), 403(b), 408(a), 408(b), 457(b), and qualified trusts under IRC §401(a).

Conformity to IRC


Proposed Legislation

In light of the State’s economic situation, the Administration plans to provide in its annual conformity bill, Senate Bill 2747 and House Bill 2594, during the 2010 Hawaii Legislative Session that IRC §408A(d)(3)(iii) is inoperative for Hawaii income tax purposes. If the bills are passed, taxpayers will still be able to convert eligible non-Roth IRAs to Roth IRAs regardless of income effective for tax years beginning after December
31, 2009; however, income resulting from such a conversion shall be included in the taxpayer’s income in the taxable year of conversion and not over a two-year period.

For more information, please contact the Rules Office at 808-587-1577.

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