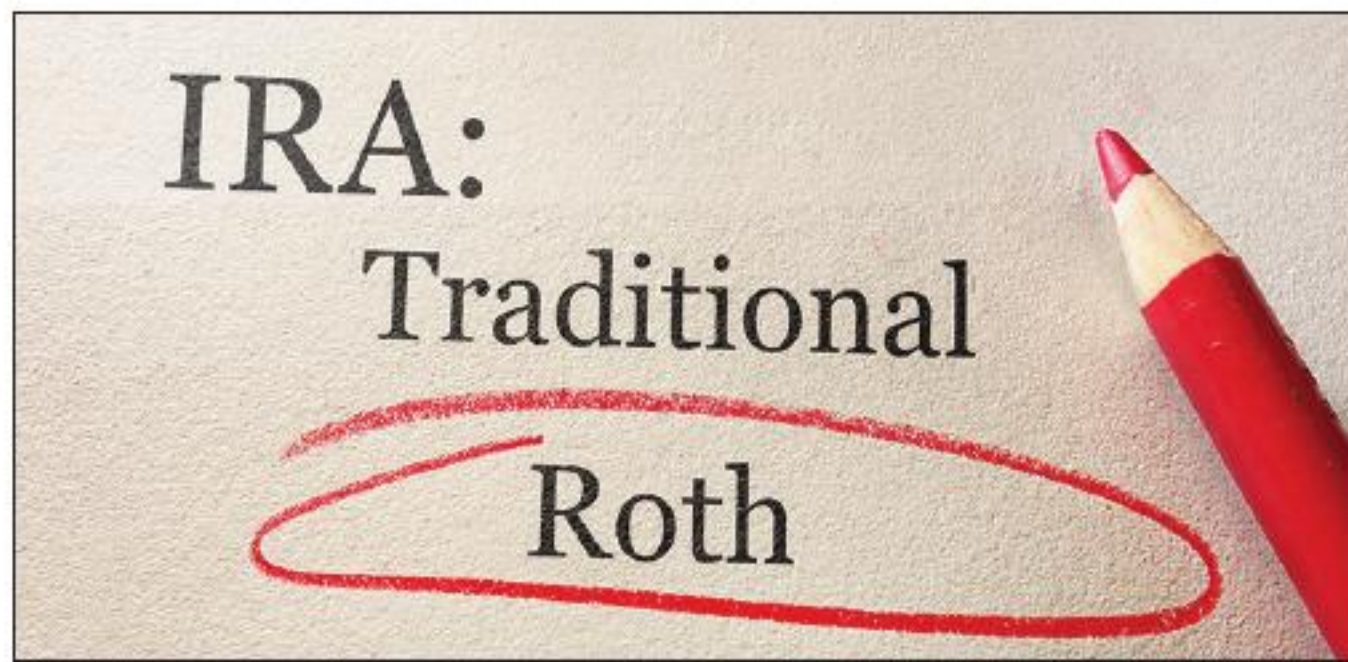


# Individual Retirement Accounts

## Roth IRA Conversions



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### Roth IRA Conversions

Generally, you can only contribute to a Roth IRA if you have taxable compensation and income less than the top of the phaseout range for your filing status (see chart below). If your income is greater than that threshold amount, you are prohibited from contributing directly to a Roth IRA.

Roth IRA Limits — 2023	
<b>Individual Contribution Limits</b>	
Under age 50	\$6,500
Age 50 or older	\$7,500
<b>Roth IRA Phaseouts</b>	
MFJ or QSS*	\$218,000 to \$228,000
Single, HOH, or MFS (lived apart from spouse all year)	\$138,000 to \$153,000
MFS (lived with spouse at any time during the year)	\$0 to \$10,000

\*Qualifying Surviving Spouse (QSS)

### Backdoor Roth IRA

A “backdoor Roth IRA” allows a taxpayer to bypass income limitations by first making a nondeductible contribution to a traditional IRA and then converting it into a Roth IRA. If the conversion happens soon after the original contribution, there may be little or no taxable income or tax assessed. Due to the distribution rules for traditional IRAs, this works best if you have no other traditional IRAs.

**Nondeductible contributions.** Generally, if you are prohibited from making a direct Roth IRA contribution, you are phased out from making a deductible traditional IRA contribution as well. Therefore, in order to make a backdoor Roth IRA contribution, you would first make a nondeductible contribution to a traditional IRA. Nondeductible contributions are considered to be made with money you

have already paid tax on, or “after tax.” Shortly after making a nondeductible contribution to a traditional IRA, you can convert the traditional IRA to a Roth IRA.

### Recharacterization

A conversion of a traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, cannot be recharacterized back into a traditional IRA. Accordingly, a recharacterization cannot be used to unwind a Roth IRA conversion.

### Conversions

You can withdraw all or part of the assets from a traditional IRA and reinvest them in a Roth IRA. The amount that you withdraw and timely contribute (convert) to the Roth IRA is called a conversion contribution. If properly rolled over, the 10% additional tax on early distributions will not apply. However, a part or all of the distribution from your traditional IRA may be included in gross income and subjected to ordinary income tax.

There are no income limitations on converting a traditional IRA into a Roth IRA. The conversion is treated as a rollover, regardless of the conversion method used.

**Conversion method.** You can convert amounts from a traditional IRA to a Roth IRA in any of the following three ways.

- **Rollover.** You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days after the distribution.
- **Trustee-to-trustee transfer.** You can direct the trustee of the traditional IRA to transfer an amount from the traditional IRA to the trustee of the Roth IRA.
- **Same trustee transfer.** If the trustee of the traditional IRA also maintains the Roth IRA, you can direct the trustee to transfer an amount from the traditional IRA to the