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## *American Taxpayer Relief Act of 2012*

2013



### **Fiscal Cliff Deal Expands In-Plan Roth Conversions, Extends Charitable IRA Rollovers**

The House and Senate have passed [H.R. 8, The American Taxpayer Relief Act](#), extending tax rate cuts for families earning less than \$450,000 (\$400,000 for single taxpayers). Families earning more than \$300,000 (\$250,000 for singles), but less than \$450,00, will not see marginal rates rise, but will be subject to a phase out of personal exemptions (PEP) and itemized deductions (PEASE). The good news is that this Act does not reduce the tax incentives for qualified retirement plan contributions.

There were two retirement savings provisions in the Act:

**Expansion of In-plan Roth Conversions.** The requirement that an account balance can only be converted to Roth if the amount is otherwise distributable is being eliminated. A 401(k), 403(b) or 457(b) plan which permits Roth elective contributions can allow any amount in a non-Roth account to be converted to a Roth account. This is a permanent provision, effective for transfers after December 31, 2012.

**Extension of IRA Charitable Rollovers.** The \$100,000 IRA charitable rollover provision is being extended through 2013. A special rule will permit a rollover during January of 2013 to be treated as a 2012 rollover. Also, individuals who took a distribution in December of 2012 will be able to contribute that amount to a charity and count it as an eligible charitable rollover (provided it otherwise meets the requirements for an eligible charitable rollover).

There were a number of other individual and business tax provisions extended, including a permanent extension of expanded Coverdell accounts.

The Roth conversion provision was used to offset the cost of delaying the automatic spending cuts under sequestration for just two months, so the new Congress will need to act quickly to avoid across-the-board cuts. Expect to hear about additional legislation in the upcoming months.



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