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LEGISLATION MOVING FORWARD TO MAKE ROTH CONVERSIONS VIABLE IN WISCONSIN

The Wisconsin State Senate unanimously approved a bill to allow residents of all income levels to convert a Traditional IRA into a Roth IRA without penalty. The Legislature's Joint Finance Committee also approved the measure and the State Assembly will vote on the bill soon. This legislation has been strongly encouraged by financial and tax advisors because it makes Wisconsin tax law consistent with the federal law.

If this legislation becomes law, Wisconsin residents of all income levels can take advantage of converting a Traditional IRA into a Roth IRA. Prior to 2010, individuals with adjusted gross income in excess of $100,000 could not do such a conversion. Effective 2010, the federal legislation changed, but Wisconsin was stuck under the prior rules. The advantage that a Roth IRA has over a Traditional IRA is that the funds may be withdrawn income tax free and there are no required minimum distributions for an account owner. However, any taxpayer who does convert a Traditional IRA to a Roth IRA must pay income tax on the amount converted. There are many potential planning techniques that may help to minimize this tax.