ADS ACTUARIAL DESIGNS & SOLUTIONS

RETIREMENT PLAN CONSULTANTS
PENSION ACTUARIES
PLAN ADMINISTRATORS

ADS BENEFITS UPDATE

New Law Allows In-Plan Rollovers to Designated Roth Accounts

The Small Business Jobs Act of 2010 permits employers to amend their §401(k) or §403(b) plans to allow participants to transfer an eligible rollover distribution (ERD) into their designated Roth account in the plan if the transfer is of an ERD:

1. made after September 27, 2010;
2. from a non-designated Roth account in the same plan;
3. because of an event that triggers an ERD from the plan; and
4. otherwise meets the rollover requirements.

The new law also permits sponsors of governmental §457(b) plans to add designated Roth accounts to their plans in taxable years beginning after 2010, and then these plans can be amended to allow in-plan ERD transfers to participants' designated Roth accounts if the ERD meets conditions 2 through 4 above.

If a participant rolls over an ERD into a designated Roth account, he or she must include any previously untaxed portion of the ERD in gross income. However, the rolled over amount is not subject to the additional 10% early withdrawal tax.

For 2010 only, if a participant rolls over an ERD into a designated Roth account in a §401(k) or §403 (b) plan, he or she can include:

1. half of the taxable amount of the rollover in 2011 gross income and half in 2012 gross income; or
2. the entire taxable amount of the rollover in 2010 gross income.

A participant that elects to include the rolled over amount in his or her 2010 gross income may not revoke that election after the due date, including extensions, of his or her 2010 federal income tax return. The participant may also owe estimated taxes on the taxable amount of the rollover for the year or years it is included in gross income or may incur an underpayment penalty.

Stay tuned for additional information in our newsletters and our website.

200 US Route 1, Scarborough ME 04074 | 207.879.9200 | www.adsbenefits.com