

WithumSmith+Brown Tax Services Group

# Tax Tip



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## New Jersey Income Tax: 2010 Conversion of Traditional IRA to Roth IRA Explained

The New Jersey Division of Taxation has recently confirmed that the state's gross income tax treatment of Roth individual retirement accounts (Roth IRAs) are the same as the federal income tax treatment.

As of 1998, contributions to Roth IRAs are not deductible, but qualified distributions can be excluded from New Jersey gross income. Therefore, New Jersey also conforms to the Federal Tax Increase Prevention and Reconciliation Act of 2005 provision regarding the federal income tax reporting of a distribution from an IRA that the taxpayer converts into a Roth IRA in 2010. If a taxpayer chooses to defer in the income resulting from a Roth IRA conversion for federal purposes to 2011 and 2012, the same deferral will be honored for New Jersey gross income tax purposes. However, if a taxpayer chooses to report the entire income resulting from a Roth IRA conversion in 2010, the taxpayer also will be required to report the income for New Jersey gross income tax purposes in 2010.

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