

## ST20-26 Conversion from a Traditional IRA to a Roth IRA

### Documents

- A Form 1099-R for a Traditional to Roth IRA Conversion should have Code 2 in box 7 if the participant is under age 59½ or Code 7 if the participant is at least age 59½ and the IRA/SEP/SIMPLE box checked.
- The amount converted is taxable income, but a Code 2 distribution is not subject to the additional 10% early distribution tax.
- Emphasize need to look at Box 7 at interview stage to determine if in scope!
- Caution: Code 2 can be used for other distributions, e.g. distribution to a Public Safety Officer after age 59 1/2

### Entry into TSO

- **Conversion from a Traditional to Roth IRA from 4012 Modified page D-39.**
  - 1099-R box 7 Code 2 (participant is under age 59½) or Code 7 (the participant is at least age 59½). The amount converted is taxable income, but not subject to the additional 10% early distribution tax.
  - If box7 is Code 1, use Form 5329 and reason "Other" to eliminate the additional tax or the amount converted to a Roth.1.
  - Enter the amount converted in Box 1 and Box 2a on the 1099-R entry page.
  - Search for Form 8606 and enter the amount converted. If the traditional IRA had a basis, complete Part I of Form 8606
  - If the traditional IRA had a basis, also complete Part 1 of Form 8606. Taxpayer must have Form 8606 from a previous year return. See page D-34 of the NTTC Modified Pub 4012.

# ST20-26 Conversion from a Traditional IRA to a Roth IRA

## Form 8606 - Nondeductible IRAs

### Nondeductible contributions to Traditional IRAs

Form belongs to **Taxpayer**.

Cost basis if there is one

Total basis in traditional IRAs

\$ |

Contributions made from January 1 through 4/18/2017

Be sure to also include this amount in the total contributions entered in the IRA Deductions section located in the Adjustments Menu.

\$

Total value of all your traditional, SEP, and SIMPLE IRAs as of December 31, 2017

\$

Outstanding rollovers

\$

Enter Traditional IRA distributions (reported to you on form 1099-R) received during 2017.

DO NOT include rollovers, qualified charitable distributions, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions.

\$

Net amount converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2017

\$ 66000

Enter the amount of the distribution from the traditional IRA that was converted to a Roth IRA

Print PDF of form 8606. Part II should look like this:

Form 8606 (2017)

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### **Part II** 2017 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs

Complete this part if you converted part or all of your traditional, SEP, and SIMPLE IRAs to a Roth IRA in 2017 (excluding any portion you recharacterized).

<b>16</b>	If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2017. <b>Do not</b> include amounts you later recharacterized back to traditional, SEP, or SIMPLE IRAs in 2017 or 2018 (see instructions)	<b>16</b>	66000
<b>17</b>	If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions)	<b>17</b>	
<b>18</b>	<b>Taxable amount.</b> Subtract line 17 from line 16. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	<b>18</b>	66000

The amount on line 18 goes to the 1040 line 4b and is taxable.