ROTH CONVERSION CHECKLIST

Roth Conversion Checklist		
Does the taxpayer qualify?	Virtually all taxpayers qualify because the income limitations have been repealed.	☐
Has the taxpayer decided to do a conversion?	The deadline is December 31 of the year of the conversion. The taxpayer does not get until April 15 of the following year, as is the case with contributions.	☐
Did the taxpayer take a distribution?	If so, the conversion must be completed within 60 days of the distribution by depositing the funds in a Roth account. The taxpayer gets 60 days regardless of the time of year. The conversion is deemed to take place on the day of distribution, not on the day the funds are deposited in the Roth.	☐
Does the taxpayer have RMD?	RMD must be taken first. If the taxpayer has an RMD requirement in the tax year, that amount cannot be converted. Essentially, the taxpayer must take RMD before doing the conversion or leave an amount in the traditional IRA sufficient to make his RMD.	☐
New beneficiary forms:	New Roth accounts need new beneficiary forms.	☐
60-day rollover:	If the taxpayer takes a distribution, the funds must be deposited in the Roth account within 60 days. Failure to do so results in the distribution being taxable. If possible, use a trustee-to-trustee transfer to avoid the possibility of failing the 60-day rule.	☐
Does the taxpayer have basis in his or her IRA?	The taxpayer should have a Form 8606 showing the basis and will have to determine the tax-free amount of the conversion at the end of the year of the conversion.	☐
Does the taxpayer understand the five-year rule?	Distributions from Roth IRAs are generally tax-free. However, the distributions of earnings from a Roth are taxable if distributed within five years of the taxpayer first establishing a Roth.	☐
Is the conversion coming from a SIMPLE IRA?	An amount distributed from a SIMPLE IRA during the two-year period that begins on the date that the individual first participated in a SIMPLE maintained by the individual's employer cannot be converted to a Roth.	☐
Is the taxpayer's income unusually low?	The taxpayer may want to consider a conversion to use excess deductions or, at the very least, to take IRA distribution into income at low tax brackets.	☐
Does the taxpayer expect income to be unusually low in 2018 and/or 2019?	The taxpayer may want to consider a conversion to use excess deductions or, at the very least, to take IRA distribution into income at low tax brackets.	☐
Does the taxpayer have an NOL carryover?	The taxpayer may want to do a conversion to offset the NOL.	☐

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Roth Conversion Checklist (continued)		
Does the taxpayer have a contributions carryover or wish to make sizable contributions during the year?	The taxpayer may want to do a conversion to offset the contributions or may want to make contributions during this year to offset a conversion.	☐
Does the taxpayer expect RMD to push him or her above the active participation threshold for passive losses?	The taxpayer may want to "take the hit" all at once and do a conversion in the current year. Without RMD, the taxpayer may be able to take up to a $25,000 deduction for active participation losses in future taxable years.	☐
Does the taxpayer expect RMD to push his or her income up to levels where Social Security becomes taxable?	The taxpayer may want to "take the hit" all at once and do a conversion in the current year. Without RMD, the taxpayer's Social Security may be tax-free.	☐
Does the taxpayer have cash outside of the IRA to pay tax?	A conversion is not feasible if the taxpayer can't pay taxes caused by the conversion.	☐
Can income past 2019 be predicted with any reasonable certainty?	If the taxpayer is going to be in lower tax brackets in future years, it might not make sense to do a conversion now (in higher brackets).	☐
Does the taxpayer trust Congress not to change the law on Roth distributions in the future?	For a long time, it was commonly believed that Social Security benefits would never be taxable. Is it possible Congress might someday make Roth distributions taxable at least to the extent of earnings?	☐
Have you considered the elimination of recharacterizations under the Tax Cuts and Jobs Act (TCJA)?	Beginning in 2018, Roth conversions cannot be recharacterized under the TCJA. Plan carefully before making a conversion, keeping in mind that it can no longer be reversed.	☐

Website
To download a copy of this checklist, go to:
www.caltax.com/spidellweb/public/editorial/RothConversionChecklist.pdf