



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2009 Wisconsin Act 161
[2009 Senate Bill 439]

IRA Conversions & Contributions

2009 Wisconsin Act 161 relates to adopting Internal Revenue Code provisions related to individual retirement accounts (IRAs) and adopting provisions of the Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, for income and franchise tax purposes.

The Act adopts federal law that allows taxpayers with adjusted gross income over \$100,000 to convert a traditional IRA to a Roth IRA, without penalty. Any income tax due may be paid over two years.

The Act adopts federal law increases in the annual contribution limits to retirement accounts, including IRAs, traditional 401(k) plans, 457 deferred compensation plans, savings incentive match plans for employees (SIMPLE plans), Roth 401(k), and Roth 403(b) plans.

Additionally, the Act adopts the following provisions of the federal HEART Act for state income tax purposes:

1. Allows National Guard and reserve members to make withdrawals, without penalty, from IRAs if called to active duty for at least 180 days.
2. Allows survivors who receive a military death gratuity to contribute that amount to Roth IRAs regardless of income and contribution limits.
3. Allows National Guard and reserve members to make withdrawals, without penalty, from health flexible spending accounts if called to active duty for at least 180 days.
4. Excludes from gross income, for individual income taxation, any combat zone bonus payments made by state or local governments to military members.

Effective date: Act 161 is effective March 30, 2010, and applies to transactions occurring on or after January 1, 2010.

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This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.