



# Rules And Conditions Applicable To Conversions

## GENERAL INFORMATION

A conversion is a way to move money or property from an IRA, qualified retirement plan, 403(b) tax-sheltered annuity, 403(a) annuity, or 457(b) governmental deferred compensation plan, to a Roth IRA. The Internal Revenue Code (IRC) limits who can complete a conversion and how the Trustee or Custodian must report the transaction. By properly completing this form you are certifying to the Trustee or Custodian that you have satisfied the rules and conditions applicable to a conversion and that you are making an irrevocable election to treat the transaction as a conversion.

## DIRECT CONVERSION REQUIREMENTS

### 1. INCOME RESTRICTION

If your modified adjusted gross income in the year of distribution exceeds \$100,000, you are not eligible to convert your IRA/Plan to a Roth IRA during such year. This restriction is eliminated beginning in 2010.

### 2. TAX RETURN RESTRICTION

If you are married and you and your spouse file separate tax returns for the year in which the distribution occurs, you are not eligible to convert your IRA/Plan to a Roth IRA during such year unless you and your spouse have lived apart for the entire taxable year. This restriction is eliminated beginning in 2010.

### 3. 70% CONVERSION RESTRICTION

If this conversion is being made during or after the year in which you turn age 70½, you cannot convert any distribution to the extent that it is a required minimum distribution from the distributing IRA/Plan.

### 4. RECONVERSION RESTRICTION

If you are reconverting a conversion made during the same taxable year or, if later, within 30 days of when the conversion was recharacterized back to an IRA, you cannot reconvert at this time.

### 5. TWO YEAR RESTRICTION

If you are converting from a SIMPLE IRA, you cannot convert to a Roth IRA within two years from when you first participated in a SIMPLE IRA plan sponsored by your employer.

## WITHHOLDING NOTICE INFORMATION (Form W-4P/OMB No. 1545-0074)

### Basic Information About Withholding From Pensions And Annuities

Generally, Federal income tax withholding applies to payments made from pension, profit sharing, stock bonus, annuity and certain deferred compensation plans, IRAs, and commercial annuities.

### Purpose Of Form W-4P

Unless you elect otherwise, Federal income tax will be withheld from payments from Individual Retirement Accounts (IRAs). You can use Form W-4P, or a substitute form, such as that contained on this form, furnished by the Trustee or Custodian, to instruct your Trustee or Custodian to withhold no tax from your IRA payments (or to revoke this election). This substitute form should be used only for distributions from IRAs which are payable upon demand.

### Nonperiodic Payments

Payments from IRAs that are payable upon demand are treated as *nonperiodic payments* for Federal income tax purposes. Generally, nonperiodic payments must have income tax withheld at a rate not less than 10 percent.

You can elect to have no income tax withheld from a nonperiodic payment (IRA payment) by filing Form W-4P or a substitute form with the Trustee or Custodian and checking the appropriate box on that form. Your election will remain in effect for any subsequent distribution unless you change or revoke it.

A U.S. citizen or resident alien may not waive withholding on any distribution delivered outside of the U.S. or its possessions. Distributions to a nonresident alien are generally subject to a tax-withholding rate of 30 percent. A reduced withholding rate, including exemption, may apply if there is a tax treaty between the nonresident alien's country of residence and the United States, and the nonresident alien submits Form W8-BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, or satisfies the documentation requirements as provided under the regulations.

For more information, please see Publication 505, *Tax Withholding and Estimated Tax*, and Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, available from most IRS offices.

*Caution: Remember that there are penalties for not paying enough tax during the year, through either withholding or estimated tax payments. New retirees should see Publication 505. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your IRA using Form W-4P.*

### Revoking The Exemption From Withholding

If you want to revoke your previously filed exemption from withholding, file another Form W-4P with the Trustee or Custodian and check the appropriate box on that form.

### Statement Of Income Tax Withheld From Your IRA

By January 31 of next year, you will receive a statement from your Trustee or Custodian showing the total amount of your IRA payments and the total Federal income tax withheld during the year. Copies of Form W-4P will not be sent to the IRS by the Trustee or Custodian.