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Internal Revenue Code Section 408A(c)(3)(E)

Roth IRAs

(c) Treatment of contributions.

- (1) No deduction allowed. No deduction shall be allowed under section 219 for a contribution to a Roth IRA.
- (2) Contribution limit. The aggregate amount of contributions for any taxable year to all Roth IRAs maintained for the benefit of an individual shall not exceed the excess (if any) of—
 - (A) the maximum amount allowable as a deduction under section 219 with respect to such individual for such taxable year (computed without regard to subsection (d)(1) or (g) of such section), over
 - (B) the aggregate amount of contributions for such taxable year to all other individual retirement plans (other than Roth IRAs) maintained for the benefit of the individual.
- (3) Limits based on modified adjusted gross income.
 - (A) Dollar limit. The amount determined under paragraph (2) for any taxable year shall not exceed an amount equal to the amount determined under paragraph (2)(A) for such taxable year, reduced (but not below zero) by the amount which bears the same ratio to such amount as—
 - (i) the excess of—
 - (I) the taxpayer's adjusted gross income for such taxable year, over
 - (II) the applicable dollar amount, bears to
 - (ii) \$15,000 (\$10,000 in the case of a joint return or a married individual filing a separate return).

The rules of subparagraphs (B) and (C) of section 219(g)(2) shall apply to any reduction under this subparagraph.

- (B) Rollover from eligible retirement plan. A taxpayer shall not be allowed to make a qualified rollover contribution to a Roth IRA from an eligible

retirement plan (as defined by section 402(c)(8)(B)) during any taxable year if, for the taxable year of the distribution to which such contribution relates—

- (i) the taxpayer's adjusted gross income exceeds \$100,000, or
- (ii) the taxpayer is a married individual filing a separate return.

This subparagraph shall not apply to a qualified rollover contribution from a Roth IRA or to a qualified rollover contribution from a designated Roth account which is a rollover contribution described in section 402A(c)(3)(A).

(C) Definitions. For purposes of this paragraph—

- (i) adjusted gross income shall be determined in the same manner as under section 219(g)(3), except that—

- (I) any amount included in gross income under subsection (d)(3) shall not be taken into account; and

- (II) any amount included in gross income by reason of a required distribution under a provision described in paragraph (5) shall not be taken into account for purposes of subparagraph (B)(i), and

- (ii) the applicable dollar amount is—

- (I) in the case of a taxpayer filing a joint return, \$150,000,

- (II) in the case of any other taxpayer (other than a married individual filing a separate return), \$95,000, and

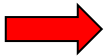
- (III) in the case of a married individual filing a separate return, zero.

(D) Marital status. Section 219(g)(4) shall apply for purposes of this paragraph.

(E) Inflation adjustment. In the case of any taxable year beginning in a calendar year after 2006, the dollar amounts in subclauses (I) and (II) of subparagraph (C)(ii) shall each be increased by an amount equal to—

- (i) such dollar amount, multiplied by

- (ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting "calendar year 2005" for "calendar year 1992" in subparagraph (B) thereof.



Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$1,000.

- (4) Contributions permitted after age 70 1/2 . Contributions to a Roth IRA may be made even after the individual for whom the account is maintained has attained age 70 1/2 .
- (5) Mandatory distribution rules not to apply before death. Notwithstanding subsections (a)(6) and (b)(3) of section 408 (relating to required distributions), the following provisions shall not apply to any Roth IRA:
 - (A) Section 401(a)(9)(A).
 - (B) The incidental death benefit requirements of section 401(a).
- (6) Rollover contributions.
 - (A) In general. No rollover contribution may be made to a Roth IRA unless it is a qualified rollover contribution.
 - (B) Coordination with limit. A qualified rollover contribution shall not be taken into account for purposes of paragraph (2).
- (7) Time when contributions made. For purposes of this section, the rule of section 219(f)(3) shall apply.

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