

In-Plan Roth Conversions – Frequently Asked Questions

The following Frequently Asked Questions have been published by the Internal Revenue Service. You are strongly urged to consult with an accountant and/or tax advisor before making your final decision and in the completion of the Oregon Savings Growth Plan (OSGP) In-Plan Roth conversion form. An in-plan Roth conversion involves complex income tax issues and once it is processed, it is irrevocable and cannot be reversed. While OSGP representatives are able to explain the options to you, they cannot tell you whether an in-plan Roth conversion is appropriate for you. OSGP will not provide tax or legal advice. Neither this document nor the In-Plan Roth conversion form represents tax or legal advice.

WHAT IS AN “IN-PLAN ROTH CONVERSION”?

An in-plan Roth conversion is a conversion from your account, other than an account that holds designated Roth contributions, to your designated Roth account in the same plan.

WHO IS ELIGIBLE TO DO AN IN-PLAN ROTH CONVERSION?

Participants, surviving spouse beneficiaries and alternate payees who are current or former spouses are eligible to do an in-plan Roth conversion in a plan offering these conversions.

WHAT AMOUNTS MAY I CONVERT IN AN IN-PLAN ROTH CONVERSION?

You can convert any vested plan balance, including earnings, to a designated Roth account, even if these amounts cannot otherwise be distributed to you. You can make an in-plan Roth conversion of:

- elective deferrals,
- pre-tax rollover contributions, and
- earnings on the above contributions

The plan can specify which of these amounts are eligible for in-plan Roth conversions and how often these conversions can be done.

Prior to 2013, only eligible rollover distributions could be converted to a designated Roth account.

If you want to convert monies in the Self-Directed Brokerage Account (SDBA) administered by Charles Schwab, it is your responsibility to contact the SDBA provider to transfer the funds to be distributed to the core investments (non self-directed brokerage investments) before OSGP can process your in-plan Roth conversion.

IF I ELECT AN IN-PLAN ROTH CONVERSION, CAN I LATER UNWIND THE IN-PLAN ROTH CONVERSION, AS CAN BE DONE WITH CONVERSIONS TO ROTH IRAS?

No. The re-characterization rule in Internal Revenue Code Section 408A(d)(6) applies only to contributions to IRAs.

IS INCOME TAX WITHHOLDING REQUIRED ON IN-PLAN ROTH CONVERSIONS?

There is no income tax withholding required on an in-plan Roth direct conversion at the time of the conversion.

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HOW ARE IN-PLAN ROTH CONVERSIONS TAXED?

You generally include the taxable amount of an in-plan Roth conversion in your gross income for the tax year in which you convert it. The taxable amount of an in-plan Roth conversion is the amount that would be includible in a participant's gross income if the conversion were made to a Roth IRA.

Plan sponsors shouldn't withhold taxes from direct conversions to designated Roth accounts, but employees who make in-plan Roth conversions may need to increase their withholding or make estimated tax payments to avoid an underpayment penalty.

DO ANY ADDITIONAL TAXES OR PENALTIES APPLY TO IN-PLAN ROTH CONVERSIONS?

Distributions from your OSGP account are not subject to the 10% additional tax on early distributions, nor are they subject to the special recapture rule described below, unless the payment is from a separate account within the plan holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA.

Amounts distributed from a separate account holding rollover contributions that were made to the plan from a tax-qualified plan, a section 403(b) plan, or an IRA will be subject to the 10% additional tax on early distributions, unless an exception applies.

If the in-plan Roth conversion contains amounts from a separate account holding rollover contributions that were made to the plan from a tax-qualified plan, a section 403(b) plan, or an IRA, the 10% additional tax on early distributions will not apply (unless you take the amount out of the designated Roth account within the 5-year period that begins on January 1 of the year of the conversion). With respect to this **special recapture rule**, the 5-taxable-year period begins January 1 of the year of the in-plan Roth conversion and ends on December 31 of the fifth year. This special recapture rule does not apply when you roll over the distribution to another designated Roth account or to your Roth IRA, but does apply to a subsequent distribution from the rolled over account or IRA within the 5-taxable-year period, unless an exception to this tax applies.

MUST MY PLAN PROVIDE ME NOTICE OF THE IN-PLAN ROTH CONVERSION FEATURE?

If the in-plan Roth conversion is of an amount that could be distributed to you under the plan, then the plan must include a description of it in the written explanation (402(f) Notice) that it gives to participants who receive an eligible conversion distribution. However, no 402(f) Notice is required for an in-plan Roth conversion of an amount that couldn't be distributed at the time of the conversion.

HOW DOES MY PLAN DETERMINE THE AMOUNT OF A DISTRIBUTION ALLOCABLE TO MY IN-PLAN ROTH CONVERSION?

A distribution attributed to an in-plan Roth conversion is treated as first coming from your oldest in-plan Roth conversion (first-in-first-out basis) and is allocated first to the taxable amount of that conversion.

Additional information can be found at: www.irs.gov/Retirement-Plans/Retirement-Plans-FAQs-on-Designated-Roth-Accounts

In-Plan Roth Conversion



1. PLAN INFORMATION

Plan Name Oregon Savings Growth Plan

2. ACCOUNT HOLDER INFORMATION

Account Holder Name _____

Street Address/PO Box _____

City _____ State _____ ZIP _____ Primary Phone _____

3. AMOUNT REQUESTED

You must be actively employed in order to convert an amount from funds not otherwise eligible for distribution. Please select one or both of the following options:

- Convert pre-tax amount of money previously contributed to the OSGP account.
A. Dollar Amount of contributions not otherwise eligible for distribution \$ _____
OR
B. Percent of Amount Available from contributions not otherwise eligible for distribution _____%
- Convert pre-tax amount of money previously rolled into the OSGP account from a 403(b), 401(k), 401(a) or eligible IRA account.
A. Dollar Amount of rollover money \$ _____
OR
B. Percent of Amount Available from rollover money _____%

Note: If the amount available for conversion is less than the dollar amount you are requesting, the transaction will be processed for the maximum amount available.

Please give careful consideration to your decision to convert funds from your account. Once the conversion to Roth has been made, it is irrevocable.

4. TAXES

You will be subject to federal and state income taxes on the taxable portion of your in-plan Roth conversion. No taxes will be withheld on this conversion. Accordingly, your decision to convert to Roth is irrevocable. You are advised to seek the advice of a qualified tax advisor prior to making this conversion.

5. ACCOUNT HOLDER AUTHORIZATION

I declare that, to the best of my belief, the information on this form is true, correct and complete. It is understood that the furnishing of this form by OSGP does not constitute an admission that there is any benefit due to me.

Account Holder Signature _____ Date _____

Account Holder SSN _____ **Your form will NOT be processed without Signature, Date and SSN completed**

MAIL OR FAX INSTRUCTIONS

Please return the authorized in-plan Roth Conversion request to: Oregon Savings Growth Plan
800 Summer Street NE Suite 200
Salem, OR 97301

