



ED SLOTT'S IRA ADVISOR

© 2010 Ed Slott, CPA

May 2010

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Special Issue

How the New Health Care Laws Will Impact IRAs

The New Laws:

Patient Protection and Affordable Care Act – “The 2010 Health Care Act” - signed into law on March 23, 2010

Health Care and Education Reconciliation Act of 2010 - “2010 Reconciliation Act” - signed into law on March 30, 2010

The impact of these acts is far-reaching and long-ranging, with some provisions that take effect immediately and others scheduled for future years. At first glance, it might seem that these new laws won't apply to IRA planning.

A second look is more troubling, though. There may not be any provisions that directly affect IRAs and other retirement plans, but there certainly are some indirect effects. Distributions from retirement plans are excluded from the list of investment income items, which includes taxable interest, dividends, capital gains, rents, royalties, passive activity income, and taxable payouts from annuities. “Distributions from traditional IRAs and Roth IRA conversion income might not count as investment

A Comparison of the Top Scheduled Federal Tax Rates for Different Types of Income

Income Type	2010	2011	2012	2013*
Taxable IRA distributions and Roth conversions (Ordinary Income)	35.0%	39.6%	39.6%	39.6%
Short-term Capital Gains	35.0%	39.6%	39.6%	43.4%
Long-term Capital Gains	15.0%	20.0%	20.0%	23.8%
Interest Income	35.0%	39.6%	39.6%	43.4%
Qualified Dividend Income	15.0%	39.6%	39.6%	43.4%
Qualified Roth IRA Distributions	0%	0%	0%	0%

*In 2013 the top federal tax rate includes income taxes **and** the 3.8% surtax on investment income

WHAT'S INSIDE?

How the New Health Care Laws Will Impact IRAs

- IRA Distributions and Roth Conversion Income Will Increase MAGI
- How the 3.8% Surtax is Applied - The “Lesser of” Rule
- Planning Steps to Reduce the Impact of the 3.8% Surtax
- Roth IRA Conversions Will Be More Valuable
- Trusts May Accelerate the 3.8% Surtax
- The Surtax Effect on Annuities
- Other Tax Effects of the Health Care Acts
 - 0.9% Additional Medicare Tax
 - Health Insurance Tax
 - Higher Medical Expense Deductibility Threshold
- Advisor Action Plan

— Pages 1-6

Health Care Taxes Chart:

2013 Tax Provisions in the New Health Care Laws

— Page 7