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# Proposed Change to the Internal Revenue Code

The American taxpayer will be called upon at some future time to fund the current Bailout/Stimulus plans. However, I believe that the process should begin immediately, not be postponed for later generations.

I propose that the Internal Revenue Code be changed as follows.

In 2009, regardless of taxpayers Adjusted Gross Income, allow conversion of §401(a) contribution plans, §401(k) plans, §403(b) plans, §457 plans, and §408 IRA plans to Roth IRA, Roth 401(k), or a Roth 403(b).

At the taxpayers election:

(i) The amount converted will be included in Adjusted Gross Income for the current year and taxed at the applicable graduated tax rate; or

(ii) The amount converted will not be included into Adjusted Gross Income for the current year, but rather will be taxed at a flat rate of 18%.

No penalty imposed by the institution holding the account will be allowed. (For example, an IRA CD can be converted to a Roth IRA CD for the balance of the CD term without imposition of any penalty for "early withdrawal" as no withdrawal actually occurs).

This accomplishes the following:

Will bring immediate revenue to the government to fund the Bailout/Stimulus plans.
Allows the transfer by taxpayers at a time that their pension/IRA accounts are at a low value.
Allows for a favorable tax rate on the amount transferred.
Allows for future earnings to be tax free with no required minimum distributions, thereby establishing a strong private pension.

Under current law, in 2010, conversion to a Roth IRA will be allowed regardless of level of Adjusted Gross Income. At the taxpayers election, the amount converted will be counted into income (i) in 2010 or (ii) postponed and counted 50% into income in 2011 and 50% into income in 2012. However, the converted amount will be taxed at the taxpayers current graduated tax rate and included in Adjusted Gross Income. This is not a strong incentive to convert.

An increase in Adjusted Gross Income due to the conversion amount in addition to being taxed at the taxpayers current tax rate may also (i) trigger tax on up to 85% of Social Security benefits, (ii) reduce the allowable deduction for Schedule A Medical Expenses and/or Schedule A Miscellaneous Deductions, (iii) phase out some of the taxpayers itemized deductions, (iv) reduce the deduction for personal exemptions, (v) reduce the child tax credit, (vi) reduce the dependent care credit, (vii) reduce deductibility of passive losses from rental property, (viii) trigger the Alternative Minimum Tax, and (ix) negatively impact any other deductible item subject to the level of Adjusted Gross Income or Modified Adjusted Gross Income.