

# SALT

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**WATCH**

## Ohio Requires Add-Back of Excluded Roth Distributions

### Background and Impact on Ohio Taxpayers

The Pension Protection Act of 2006 (“PPA”) provides for an exclusion from gross income of up to \$100,000 for otherwise taxable distributions in tax years 2006 and 2007 from traditional or Roth IRAs that are “qualified charitable distributions.” The distribution must meet certain criteria, including the donor must be over 70 ½ years of age.

For Ohio personal income tax purposes, the Ohio Department of Taxation (“Department”) takes the position that the distribution must be added-back in arriving at Ohio taxable income. The reasoning set forth by the Department is that the PPA was enacted on August 17, 2006, which is after March 30, 2006 or the last date the Ohio General Assembly updated R.C. § 5747.01 (definition of Ohio “adjusted gross income”) (“Ohio AGI”).

The Department has stated that it recommended to the General Assembly that the most recent version of the Internal Revenue Code be incorporated into Ohio law, which would include the changes brought about by the PPA. If the General Assembly adopts the recommendation, and does not subsequently amend the definition of Ohio AGI to require an add-back of such distributions,

then an add-back would not be required for tax years effective after the adoption by the General Assembly.

### Action Items

GBQ will continue to monitor this development, as necessary. GBQ SALT professionals are available to assist you in determining how best to address issues related to the treatment of Roth distributions and other Ohio personal income tax items that may have been impacted by the PPA.

### **FOR MORE INFORMATION, PLEASE CONTACT:**

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