House Research
Act Summary

CHAPTER: 160, Laws 1999   **SESSION:** 1999 Regular Session

TOPIC: Creditor's Remedies and Roth IRAs

Date: May 7, 1999
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Overview

This act involves Roth IRAs, which became available for the 1998 tax year. They are similar to traditional individual retirement accounts (IRAs), but have different tax treatment. With a traditional IRA, the contributions are tax-deferred, and the contributions and all earnings are taxable when withdrawn. With a Roth IRA, the contributions are not tax-deferred, but the contributions and earnings may be withdrawn tax-free after five years if the owner is at least age 59. (There are some additional details that relate to withdrawals - consult your tax advisor.) The official name of the Roth IRA, as defined in the internal revenue code, is just Roth IRA, not Roth individual retirement account.

This act adds Roth IRAs to our statute that protects retirement plan assets from creditors, up to a limit. This permits Minnesota residents to claim Roth IRAs as exempt in a bankruptcy and as exempt from standard creditors' remedies such as garnishment and levy, up to the statutory limit.

<u>Section</u>

1   **Employee benefits.** Adds Roth IRAs to the list of retirement plans that are exempt from creditors, up to an aggregate limit of $51,000 ($30,000 stated in statute gets adjusted automatically for inflation), plus any additional amount found to be reasonably necessary for the support of the debtor and dependents. Also eliminates a clause in current law that was held to be unconstitutional by the Minnesota Supreme Court on the grounds that it did not limit the exemption to a reasonable amount of property as required by the Minnesota Constitution.

2   **Effective date.** Immediate effective date.