

# Roth Contributions in 403(b) or 457(b) Plans

Roth refers to an account type that has a specific tax treatment and is available under many retirements plans as an “optional feature\*”. Roth contributions and, unlike Traditional 403(b) or 457(b) elective deferral contributions, are subject to Federal and State income tax withholdings (also referred to as after-tax deferrals) when deferred. The distribution of an employee's contributions to a Roth 403(b) or 457(b) account are not taxable at distribution, since taxes were paid on the contributions to the account in the year they were deferred. If a distribution from a Roth 403(b) or 457(b) account is "qualified", the gains on the account are also distributed tax-free.

For a distribution from a Roth 403(b) or 457(b) account to be “qualified,” it must meet two conditions:

1. Payment must be made after age 59 ½, disability, or death, and
2. The Section 403(b) or 457(b) account must have been in existence at least five taxable years (i.e., calendar years).

Termination of employment before age 59 ½, disability, or death does not trigger a qualified distribution. In such an event, to qualify for a tax-free distribution, the employee will either need to leave the Roth account in the Section 403(b) or 457(b) program until age 59 ½ or roll it over to a Roth IRA, a designated Roth 401(k) account, a designated Roth governmental 457(b) account, or another designated Roth 403(b) account.

Note: It will be necessary to contact your vendor to open a separate designated Roth account in most cases. Once that is done you may begin contributions you must submit a salary reduction agreement (SRA) to your employer specifying the Roth contributions amount you wish to defer.

## A few things to note:

- Roth contributions in 403(b) or 457(b) plan are subject to Adjusted Growth Income thresholds for participation like that apply to Roth IRA
- The limit that applies to how much can be deferred to a 403(b) or 457(b) Roth (after tax) Elective Deferrals is significantly greater than what you can contribute to a Roth IRA.
- 403(b) Roth (after tax) Elective Deferrals are subject to the 403(b) Basic Elective Deferral Limit for the respective year and must be aggregated with any 403(b) Traditional (pre-tax) Elective Deferrals made for the calendar year for limit consideration.
- Contributions to a Roth (after tax) IRA are unaffected by 403(b) or 457(b) contributions. You may participate in more than one plan type
- For a Traditional (pre-tax) IRA, your ability to deduct those contributions may be reduced or eliminated if you or your spouse participate in a retirement plan at work (including a 403(b) plan or pension plan). *Note participation in a 457(b) Plan does not affect the deductibility of the employee's Traditional IRA contribution.*

\*Optional features are subject to availability under the specific employer's 403(b) or 457(b) Plan.

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