

Potential Effects of the  
Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA")  
on Massachusetts Taxpayers

EGTRRA has made many changes to the federal Internal Revenue Code (the "IRC"). However, EGTRRA's tax benefits will generally not be available to Massachusetts taxpayers unless the Massachusetts personal income tax laws are updated, through conforming legislation, to reflect EGTRRA's changes.

This chart provides an overview of some of the most significant potential state income tax effects on Massachusetts taxpayers of certain provisions of EGTRRA, which are a result of the nonconformity between the IRC and Massachusetts' personal income tax laws.<sup>1</sup> Additional information on the Massachusetts conformity issue is available by contacting either of the following individuals at Fidelity Investments:

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Description of EGTRRA provision	Effective date	Relevant IRC section(s)	Potential effects on Massachusetts taxpayers after EGTRRA's changes become effective
Increased Limits on IRA Contributions, EGTRRA Sec. 601	1/1/02	219	-Earnings on increased amounts will be included in IRA owner's Massachusetts gross income currently. -IRA account may no longer be an IRA under Massachusetts tax law.
Catch-Up Contributions for IRAs, EGTRRA Sec. 601	1/1/02	408	-Earnings on increased amounts will be included in IRA owner's Massachusetts gross income currently. -IRA account may no longer be an IRA under Massachusetts tax law.
Deemed IRAs Under Employer Plans, EGTRRA Sec. 602	1/1/03	408	-Plan may become disqualified under Massachusetts tax law. -IRA account may not be an IRA under Massachusetts tax law.

<sup>1</sup> This chart is intended to highlight certain provisions of EGTRRA which may result in a significantly different tax treatment for Massachusetts income tax purposes than for federal income tax purposes. This chart is for discussion purposes only, and does not include all of the potential differences between federal and Massachusetts tax laws after EGTRRA. In addition, this chart reflects an interpretation of the effects that the changes to the federal Internal Revenue Code made by EGTRRA will have on the application of current Massachusetts income tax statutes, and no assurance can be made that the Massachusetts Department of Revenue will have the same interpretation. This chart is not intended to constitute legal or tax advice.

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Increased Defined Benefit Plan Section 415 Limits, EGTRRA Sec. 611(a)	Years ending in 2002	415	-Value of increased vested benefits will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Increased Defined Contribution Plan Section 415 Limits, EGTRRA Sec. 611(b)	Years beginning in 2002	415	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Increased Compensation Limits, EGTRRA Sec. 611(c)	Years beginning in 2002	401, 404, 408, 505	-Increased vested amounts will be included in participants' Massachusetts gross income. -Value of increased vested benefits will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Increased Limit on 401(k) and 403(b) Elective Deferrals, EGTRRA Sec. 611(d)	Years beginning in 2002	402(g), 457, 501	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Increased Benefit and Contribution Limits for 457 Plans, EGTRRA Sec. 611(e)	Years beginning in 2002	457	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may lose tax-favored status under Massachusetts tax law.
Increased Benefit and Contribution Limits for SIMPLE Plans, EGTRRA Sec. 611(f)	Years beginning in 2002	408, 401(k)	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Creation of "Roth" 401(k) and 403(b) Accounts, EGTRRA Sec. 617	Years beginning in 2006	402A, 402, 6051, 6047, 408A	-So-called Roth contributions will be treated as non-Roth contributions under Massachusetts tax law. -Rollovers of such Roth contributions to a Roth IRA will be treated as a taxable distribution under Massachusetts tax law. -A Roth IRA receiving a rollover of such Roth contributions may no longer be a Roth IRA under Massachusetts tax law.

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New Catch-up Elective Deferral Contributions to Workplace Savings Plans, EGTRRA Sec. 631	Years beginning in 2002	414(v)	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Increased Defined Contribution Plan Section 415 Limits, EGTRRA Sec. 632(a)(1)	Years beginning in 2002	415	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
403(b) MEA Limit Repeal, EGTRRA Sec. 632(a)(2)	Years beginning in 2002	403, 72, 404, 415, 402, 664	-Increased vested amounts will be included in participants' Massachusetts gross income.
Repeal of Coordination Requirements and Increased Contribution Limitations for 457 Plans, EGTRRA Sec. 615, 632(c)	Years beginning in 2002	457	-Increased vested amounts will be included in participants' Massachusetts gross income. -Plan may lose tax-favored status under Massachusetts tax law.
Division of 457 Plan Benefits Upon Divorce, EGTRRA Sec. 635	1/1/02	414	-Massachusetts will continue to treat distributions to a spouse as a taxable distribution to the participant.
Rollovers Among Various Types of Plans and from IRAs into Workplace Savings Plans, EGTRRA Sec. 641, 642	1/1/02	457, 3401, 3405, 402, 72, 403, 219, 401, 408, 415, 4973	-Rollovers under the new rollover rules will be treated as taxable distributions under Massachusetts tax law. -Plans receiving such rollovers may become disqualified under Massachusetts tax law. -IRA accounts receiving such rollovers may no longer be IRAs under Massachusetts tax law.
Rollovers of After-Tax Contributions, EGTRRA Sec. 643	1/1/02	402, 401, 408	-Plans receiving such rollovers may become disqualified under Massachusetts tax law. -IRA accounts receiving such rollovers may no longer be IRAs under Massachusetts tax law.

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Hardship Relief from 60-Day Rule, EGTRRA Sec. 644	1/1/02	402, 408	-Rollovers under the new hardship rule will be treated as taxable distributions under Massachusetts tax law. -Plans receiving such rollovers may become disqualified under Massachusetts tax law. -IRA accounts receiving such rollovers may no longer be IRAs under Massachusetts tax law.
Purchase of Service Credit Under Governmental Defined Benefit Plans, EGTRRA Sec. 647	1/1/02	403, 457	-Transfers from a 403(b) or 457 plan under the new rules will be treated as taxable distributions under Massachusetts tax law.
Time of Inclusion of Benefits Under Governmental 457 Plans, EGTRRA Sec. 649(b)	Years beginning in 2002	457	-Amounts deferred to a 457 plan will be included in participants' Massachusetts gross income when paid, or when made available if earlier.
Increased Section 415 Contribution Limits for Multiemployer Plans, EGTRRA Sec. 654	Years beginning in 2002	415	-Value of increased vested benefits will be included in participants' Massachusetts gross income. -Plan may become disqualified under Massachusetts tax law.
Exclusion from Income of Employer-Provided Adoption Assistance, EGTRRA Sec. 202	1/1/02	137	-Adoption Assistance amounts received by employees in excess of \$5,000 (\$6,000 in the case of special needs children) will be included in employees' Massachusetts gross income.
Exclusion from Income of Employer-Provided Educational Assistance, EGTRRA Sec. 411	Courses beginning after 12/31/01	127, 132	-Amounts received by employees for undergraduate and graduate-level coursework will be included in employees' Massachusetts gross income.

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