Income Levels For IRA Deductibility Phaseout For Active Participants In Employment Sponsored Retirement Plans

Year	Single Taxpayer Threshold Level Phaseout Limit	Married, Filing Jointly Threshold Level Phaseout Limit
2019	\$64,000 – \$74,000	\$103,000 – \$123,000
2020	\$65,000 – \$75000	\$104,000 – \$124,000

	Filing Status	
Deduction Formula	Single	Married Filing Jointly
A. Phaseout Limit	\$_______	\$_______
B. Your Adjusted Gross Income*	_______	_______
C. Subtract B from A	_______	_______
Line C multiplied by .2 equals	x .2	x .2
the amount you may deduct.**	_______	_______

* Adjusted Gross Income is your taxable income from all sources including taxable Social Security benefits and adjustment for passive loss limitations.

** If you are eligible for a deduction and this amount is less than \$200, you may still deduct \$200 from your taxes. If this amount is \$200 or more, deduct this amount (you must round up to the nearest \$10).

I Am Not An Active Participant In An Employer-Sponsored Retirement Plan. May I Deduct IRA Contributions?

If you are not an active participant in an employer-sponsored pension or profit-sharing plan, you can deduct 100% of your IRA contribution regardless of income level. If your spouse is an active participant and your joint income is \$193,000 in 2019 & \$196,000 in 2020, you cannot fully deduct your IRA contribution.

Partial deductions are permitted for joint incomes between \$193,000 and \$203,000 in 2019 & \$196,000 and \$206,000 in 2020.

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Questions and Answers

What Is An IRA?

An Individual Retirement Account (IRA) is a special savings plan authorized by the Federal government to help you accumulate funds for your retirement.

Who Is Eligible To Contribute To An IRA?

Beginning January 1, 2020, any individual may contribute to a traditional IRA at any age, as long as they have earned income. Income from other sources such as investments or inheritances does not qualify.

I Am An Active Participant In An Employer-Sponsored Retirement Plan. May I Deduct IRA Contributions?

Your IRA contribution may still be fully or partially deductible, depending on your income level.

Refer to "IRA Deductions For Active Participants in Employer-Sponsored Retirement Plans" chart on back panel.

Are IRA Earnings, Such As Interest And Dividends, Tax-Deferred?

All the earnings you accumulate in your IRA remain tax-sheltered until withdrawn.

Must I Contribute The Full Amount Each Year?

No. You can contribute any amount your budget allows, either in one or more contributions. In fact, if you choose, you need not make any contributions in a given year.

When Can I Make Withdrawals?

Withdrawals (distributions) are permitted any time after age 59½, but you must start taking required minimum distributions (RMDs) if you turn age 72 after 2019. If you turned 70½ in 2019, you would need to continue to take RMDs in 2020 and beyond.

After age 59½, you may make withdrawals even if you continue to earn income. It is not necessary to be retired in order to make withdrawals.

Can I Make Earlier Withdrawals?

There is a 10% penalty for withdrawing all or any part of the account before age 59½, with the following exceptions:

- In the event of death or total disability
- As a qualified first-time homebuyer you may withdraw up to $10,000 during your lifetime
- If you use the withdrawal to pay qualified higher education expenses
- If you don't have health insurance, or you have out-of-pocket medical expenses that aren't covered by insurance, you may be able to take penalty-free distributions from your IRA to cover these expenses.
- If you're unemployed, you may take penalty-free distributions from your IRA to pay for health insurance premiums. In order for the distribution to be eligible for the penalty-free treatment, you must meet certain conditions
- If distributions are made as part of a series of substantially equal periodic payments over your life expectancy. Basically, you withdraw the same amount—determined under one of three IRS pre-approved methods—each year for five years or until you turn 59½, whichever comes later.
- Distributions made to a qualified military reservist
- Qualified birth or adoption distributions up to $5,000

Be sure to consult with a trusted tax professional to determine whether your expenses qualify.

When Are Taxes Paid On IRAs?

When you begin making withdrawals, you will be taxed on only the amount you withdraw each year on which taxes have not previously been paid. The remaining funds continue to accumulate tax-deferred earnings. In all probability, you will benefit by the fact that you will be in a lower tax bracket than at the time you made your contribution.

Can Funds Be Rolled Over From One Traditional IRA to Another Traditional IRA?

Beginning January 1, 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. You can, however, continue to make as many trustee-to-trustee transfers between IRAs as you want. You can also make as many rollovers from Traditional IRAs to Roth IRAs ("conversions") as you want.

What Is The Deadline For Contributing To An IRA?

You can open or make contributions to your IRA any time up to and including the due date of your tax return for the previous tax year, normally April 15th.

IRA Deductions For Active Participants In Employer-Sponsored Retirement Plans

If you are an active participant in an employer-sponsored pension or profit-sharing plan, your IRA contribution deduction will depend on your level of adjusted gross income.

Active participants below a "threshold level" of income may make deductible IRA contributions. Active participants with incomes above the phaseout limit are not entitled to any IRA deduction.

How Much Can I Contribute To An IRA?

$6,000 (2019 & 2020)

You can contribute all or part of compensation, up to:

- Individual Taxpayer – $6,000 (2019 & 2020)
- Married Taxpayer – $12,000 where both spouses have earned income (each spouse can contribute up to $6,000 each) for 2019 & 2020.
- Spousal IRA – For 2019 & 2020, $12,000 for married taxpayers filing jointly where one spouse has little or no income. (Yearly contributions may be divided between the accounts, provided the total contribution does not exceed $12,000 and neither account is allocated more than $6,000).

Total yearly contribution that can be made by an individual to all IRAs, Traditional (deductible, nondeductible) and Roth IRAs, is $6,000 (2019 & 2020) not counting rollover contributions.

"CATCH-UP" CONTRIBUTIONS FOR PEOPLE 50 AND OLDER

To make up for lost time, workers 50 and older before the end of the taxable year can make additional contributions above the new maximum limits as follows:

- $1,000 a year (2019 & 2020)