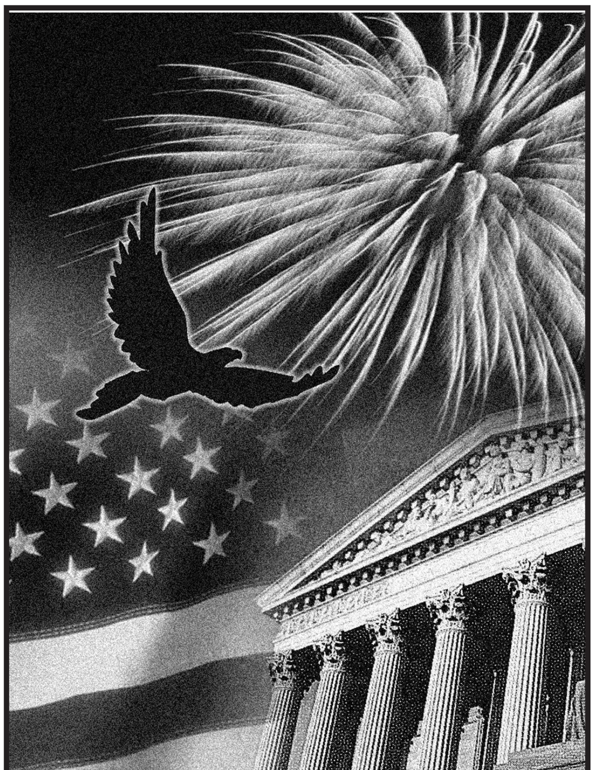
Department of the Treasury
Internal Revenue Service

Publication 590-A
Cat. No. 66302J

Contributions to Individual Retirement Arrangements (IRAs)

For use in preparing

2019 Returns



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Feb 24, 2020

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What's New for 2019

Modified AGI limit for traditional IRA contributions. For 2019, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified AGI is:

- More than $103,000 but less than $123,000 for a married couple filing a joint return or a qualifying widow(er),
- More than $64,000 but less than $74,000 for a single individual or head of household, or
- Less than $10,000 for a married individual filing a separate return.

Modified AGI limit for certain married individuals. If you are married and your spouse is covered by a retirement plan at work and you aren't, and you live with your spouse or file a joint return, your deduction is phased out if your modified AGI is more than $193,000 (up from $189,000 for 2018) but less than $203,000 (up from $199,000 for 2018). If your modified AGI is $203,000 or more, you can't take a deduction for contributions to a traditional IRA.

Modified AGI limit for Roth IRA contributions. For 2019, your Roth IRA contribution limit is reduced (phased out) in the following situations.

- Your filing status is married filing jointly or qualifying widow(er) and your modified AGI is at least $193,000. You can't make a Roth IRA contribution if your modified AGI is $203,000 or more.
- Your filing status is single, head of household, or married filing separately and you didn't live with your spouse at any time in 2019 and your modified AGI is at least $122,000. You can't make a Roth IRA contribution if your modified AGI is $137,000 or more.
- Your filing status is married filing separately, you lived with your spouse at any time during the year, and your modified AGI is more than zero. You can't make a Roth IRA contribution if your modified AGI is $10,000 or more.

Difficulty of care payments. You may be able to make additional nondeductible IRA contributions after December 20, 2019, if you received difficulty of care payments, which are a type of qualified foster care payment. For more information, see *Difficulty of care payments*, later.

Repeal of alimony payments as inclusion in compensation. Alimony received is not included in your compensation if a divorce or separation agreement is entered into after December 31, 2018, or if you entered into a divorce or separation agreement on or before December 31, 2018, and the agreement is changed after December 31, 2018, to expressly provide that alimony received isn't included in your income. For more information, see Pub. 504.

What's New for 2020

Modified AGI limit for traditional IRA contributions increased. For 2020, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified AGI is:

- More than $104,000 but less than $124,000 for a married couple filing a joint return or a qualifying widow(er),
- More than $65,000 but less than $75,000 for a single individual or head of household, or
- Less than $10,000 for a married individual filing a separate return.

Modified AGI limit for certain married individuals increased. If you are married and your spouse is covered by a retirement plan at work and you aren't, and you live with your spouse or file a joint return, your deduction is phased out if your modified AGI is more than $196,000 (up from $193,000 for 2019) but less than $206,000 (up from $203,000 for 2019). If your modified AGI is $206,000 or more, you can't take a deduction for contributions to a traditional IRA.

Modified AGI limit for Roth IRA contributions increased. For 2020, your Roth IRA contribution limit is reduced (phased out) in the following situations.

- Your filing status is married filing jointly or qualifying widow(er) and your modified AGI is at least $196,000. You can't make a Roth IRA contribution if your modified AGI is $206,000 or more.
- Your filing status is single, head of household, or married filing separately and you didn't live with your spouse at any time in 2020 and your modified AGI is at least $124,000. You can't make a Roth IRA contribution if your modified AGI is $139,000 or more.
- Your filing status is married filing separately, you lived with your spouse at any time during the year, and your modified AGI is more than zero. You can't make a Roth IRA contribution if your modified AGI is $10,000 or more.

Certain taxable non-tuition fellowship and stipends. For tax years beginning after December 31, 2019, certain taxable non-tuition fellowship and stipend payments are treated as compensation for the purpose of IRA contributions. Compensation will include any amount included in your gross income and paid to aid in your pursuit of graduate or postdoctoral study.

Maximum age for making traditional IRA contributions repealed. For tax years beginning after December 31, 2019, the rule that you are not able to make contributions to your traditional IRA for the year in which you reach age 70 1/2 and all later years has been repealed.

Required minimum distributions (RMDs). For distributions required to be made after December 31, 2019, the age for the required beginning date for mandatory distributions is changed to age 72 for taxpayers reaching age 70 ½ after December 31, 2019.

Reminders

Future developments. For the latest information about developments related to Pub. 590-A, such as legislation enacted after it was published, go to *IRS.gov/Pub590A*.

Qualified disaster tax relief. Special rules provide for tax-favored withdrawals and repayments from certain retirement plans for taxpayers who suffered economic losses as a result of Hurricane Harvey, Tropical Storm Harvey, Hurricane Irma, Hurricane Maria, or the 2017 California wildfires and certain major disasters that occurred in 2018, 2019, and early 2020. For more information see Form 8915-B (for qualified 2017 disasters), Form 8915-C (for qualified 2018 disasters), and Form 8915-D (for qualified 2019 disasters).

Disaster tax relief is also available for taxpayers who suffered economic losses as a result of disasters declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during calendar year 2016. See the instructions for Form 8915-A, Qualified 2016 Disaster Retirement Plan Distributions and Repayments, for more information on these provisions.

IRAs and unrelated business income. An IRA is subject to tax on unrelated business income if it carries on an unrelated trade or business. An unrelated trade or business means any trade or business regularly carried on by the IRA or by a partnership of which it is a member. For more information, see *Unrelated business income* under *What Acts Result in Penalties or Additional Taxes*, later.

IRA interest. Although interest earned from your IRA is generally not taxed in the year earned, it isn't tax-exempt interest. Tax on your traditional IRA is generally deferred until you take a distribution. Don't report this interest on your return as tax-exempt interest. For more information on tax-exempt interest, see the instructions for your tax return.

Extended rollover period for qualified plan loan offsets in 2018 or later. For distributions made in tax years beginning after December 31, 2017, you have until the due date (including extensions) for your tax return for the tax year in which the offset occurs to roll over a qualified plan loan offset amount. For more information, see *Time Limit for Making a Rollover Contribution* in chapter 1.

No recharacterizations of conversions made in 2018 or later. A conversion of a traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, made after December 31, 2017, cannot be recharacterized as having been made to a traditional IRA. For more information, see *Recharacterizations* in chapter 1.

Photographs of missing children. The IRS is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication discusses contributions to individual retirement arrangements (IRAs). An IRA is a personal savings plan that gives you tax advantages for setting aside money for retirement. For information about distributions (including rollovers) from an IRA, see Pub. 590-B.

What are some tax advantages of an IRA? Two tax advantages of an IRA are that:

- Contributions you make to an IRA may be fully or partially deductible, depending on which type of IRA you have and on your circumstances; and
- Generally, amounts in your IRA (including earnings and gains) aren't taxed until distributed. In some cases, amounts aren't taxed at all if distributed according to the rules.

What's in this publication? This publication discusses contributions to traditional and Roth IRAs. It explains the rules for:

- Setting up an IRA,
- Contributing to an IRA,
- Transferring money or property to and from an IRA, and
- Taking a credit for contributions to an IRA.

It also explains the penalties and additional taxes that apply when the rules aren't followed. To assist you in complying with the tax rules for IRAs, this publication contains worksheets and sample forms which can be found throughout the publication and in the appendices at the back of the publication.

How to use this publication. The rules that you must follow depend on which type of IRA you have. Use Table I-1 to help you determine which parts of this publication to read. Also use Table I-1 if you were referred to this publication from instructions to a form.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*. Or, you can write to: Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax forms, instructions, and publications. We can't answer tax questions sent to the above address.

Tax questions. If you have a tax question not answered by this publication or *How To Get Tax Help* section at the end of this publication, go to the IRS Interactive Tax Assistant page at *IRS.gov/Help/ITA* where you can find topics using the search feature or by viewing the categories listed.

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Useful Items

You may want to see:

Publications

- ❏ **590-B** Distributions from Individual Retirement Arrangements (IRAs)
- ❏ **560** Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
- ❏ **571** Tax-Sheltered Annuity Plans (403(b) Plans)
- ❏ **575** Pension and Annuity Income
- ❏ **939** General Rule for Pensions and Annuities

Forms (and Instructions)

- ❏ **W-4P** Withholding Certificate for Pension or Annuity Payments
- ❏ **1099-R** Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- ❏ **5304-SIMPLE** Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—Not for Use With a Designated Financial Institution
- ❏ **5305-S** SIMPLE Individual Retirement Trust Account
- ❏ **5305-SA** SIMPLE Individual Retirement Custodial Account
- ❏ **5305-SIMPLE** Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—for Use With a Designated Financial Institution
- ❏ **5329** Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
- ❏ **5498** IRA Contribution Information
- ❏ **8606** Nondeductible IRAs
- ❏ **8815** Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989
- ❏ **8839** Qualified Adoption Expenses
- ❏ **8880** Credit for Qualified Retirement Savings Contributions
- ❏ **8915-A** Qualified 2016 Disaster Retirement Plan Distributions and Repayments
- ❏ **8915-B** Qualified 2017 Disaster Retirement Plan Distributions and Repayments
- ❏ **8915-C** Qualified 2018 Disaster Retirement Plan Distributions and Repayments
- ❏ **8915-D** Qualified 2019 Disaster Retirement Plan Distributions and Repayments

See *How To Get Tax Help* for information about getting these publications and forms.

Table I-1. **Using This Publication**

IF you need information on ...	**THEN see ...**
traditional IRAs	chapter 1.
Roth IRAs	chapter 2, and parts of chapter 1.
the credit for qualified retirement savings contributions (the saver's credit)	chapter 3.
how to keep a record of your contributions to, and distributions from, your traditional IRA(s)	Appendix A.
SEP IRAs, SIMPLE IRAs, and 401(k) plans	Pub. 560.
Coverdell education savings accounts (formerly called education IRAs)	Pub. 970.

IF for 2019, you: • received ***social security*** benefits, • had taxable compensation, • contributed to a traditional IRA, and • you or your spouse was covered by an employer retirement plan, and you want to...	**THEN see ...**
first figure your modified adjusted gross income (AGI)	Appendix B, Worksheet 1.
then figure how much of your traditional IRA contribution you can deduct	Appendix B, Worksheet 2.
and finally figure how much of your social security is taxable	Appendix B, Worksheet 3.

Table I-2. **How Are a Traditional IRA and a Roth IRA Different?**

This table shows the differences between traditional and Roth IRAs. Answers in the middle column apply to traditional IRAs. Answers in the right column apply to Roth IRAs.

Question	**Answer**	
	Traditional IRA?	**Roth IRA?**
Is there an age limit on when I can open and contribute to a	Yes. You must not have reached age 70 1/2 by the end of the year. See *Who Can Open a Traditional IRA?* in chapter 1.	No. You can be any age. See *Can You Contribute to a Roth IRA?* in chapter 2.
If I earned more than $6,000 in 2019 ($7,000 if I was 50 or older by the end of 2019), is there a limit on how much I can contribute to a	Yes. For 2019, you can contribute to a traditional IRA up to: • $6,000, or • $7,000 if you were age 50 or older by the end of 2019. There is no upper limit on how much you can earn and still contribute. See *How Much Can Be Contributed?* in chapter 1.	Yes. For 2019, you may be able to contribute to a Roth IRA up to: • $6,000, or • $7,000 if you were age 50 or older by the end of 2019, but the amount you can contribute may be less than that depending on your income, filing status, and if you contribute to another IRA. See *How Much Can Be Contributed?* and Table 2-1 in chapter 2.
Can I deduct contributions to a	Yes. You may be able to deduct your contributions to a traditional IRA depending on your income, filing status, whether you are covered by a retirement plan at work, and whether you receive social security benefits. See *How Much Can You Deduct?* in chapter 1.	No. You can never deduct contributions to a Roth IRA. See *What Is a Roth IRA?* in chapter 2.
Do I have to file a form just because I contribute to a	Not unless you make nondeductible contributions to your traditional IRA. In that case, you must file Form 8606. See *Nondeductible Contributions* in chapter 1.	No. You don't have to file a form if you contribute to a Roth IRA. See *Contributions not reported* in chapter 2.

1.

Traditional IRAs

Introduction

This chapter discusses the original IRA. In this publication, the original IRA (sometimes called an ordinary or regular IRA) is referred to as a "traditional IRA." A traditional IRA is any IRA that isn't a Roth IRA or a SIMPLE IRA. The following are two advantages of a traditional IRA.

- You may be able to deduct some or all of your contributions to it, depending on your circumstances.
- Generally, amounts in your IRA, including earnings and gains, aren't taxed until they are distributed.

Who Can Open a Traditional IRA?

You can open and make contributions to a traditional IRA if:

- You (or, if you file a joint return, your spouse) received taxable compensation during the year, and
- You weren't age 70 1/2 by the end of the year.

You can have a traditional IRA whether or not you are covered by any other retirement plan. However, you may not be able to deduct all of your contributions if you or your spouse is covered by an employer retirement plan. See *How Much Can You Deduct*, later.

Both spouses have compensation. If both you and your spouse have compensation and are under age 70 1/2, each of you can open an IRA. You can't both participate in the same IRA. If you file a joint return, only one of you needs to have compensation.

What Is Compensation?

Generally, compensation is what you earn from working. For a summary of what compensation does and doesn't include, see Table 1-1. Compensation includes all of the items discussed next (even if you have more than one type).

Wages, salaries, etc. Wages, salaries, tips, professional fees, bonuses, and other amounts you receive for providing personal services are compensation. The IRS treats as compensation any amount properly shown in box 1 (Wages, tips, other compensation) of Form W-2, Wage and Tax Statement, provided that amount is reduced by any amount properly shown in box 11 (Nonqualified plans). Scholarship and fellowship payments are compensation for IRA purposes only if shown in box 1 of Form W-2.

Commissions. An amount you receive that is a percentage of profits or sales price is compensation.

Self-employment income. If you are self-employed (a sole proprietor or a partner), compensation is the net earnings from your trade or business (provided your personal services are a material income-producing factor) reduced by the total of:

- The deduction for contributions made on your behalf to retirement plans, and
- The deduction allowed for the deductible part of your self-employment taxes.

Compensation includes earnings from self-employment even if they aren't subject to self-employment tax because of your religious beliefs.

Self-employment loss. If you have a net loss from self-employment, don't subtract the loss from your salaries or wages when figuring your total compensation.

Alimony and separate maintenance. For IRA purposes, compensation includes any taxable alimony and separate maintenance payments you receive under a decree of divorce or separate maintenance but only with respect to divorce or separation instruments executed on or before December 31, 2018, that have not been modified to exclude such amounts.

Nontaxable combat pay. If you were a member of the U.S. Armed Forces, compensation includes any nontaxable combat pay you received. This amount should be reported in box 12 of your 2019 Form W-2 with code Q.

Table 1-1. **Compensation for Purposes of an IRA**

Includes ...	**Doesn't include** ...
wages, salaries, etc.	earnings and profits from property.
commissions.	interest and dividend income.
self-employment income.	pension or annuity income.
taxable alimony and separate maintenance.	deferred compensation.
nontaxable combat pay.	income from certain partnerships.
	any amounts you exclude from income.

What Isn't Compensation?

Compensation doesn't include any of the following items.

- Earnings and profits from property, such as rental income, interest income, and dividend income.
- Pension or annuity income.
- Deferred compensation received (compensation payments postponed from a past year).
- Income from a partnership for which you don't provide services that are a material income-producing factor.
- Conservation Reserve Program (CRP) payments reported on Schedule SE (Form 1040 or 1040-SR), line 1b.
- Any amounts (other than combat pay) you exclude from income, such as foreign earned income and housing costs.

When Can a Traditional IRA Be Opened?

You can open a traditional IRA at any time. However, the time for making contributions for any year is limited. See *When Can Contributions Be Made*, later.

How Can a Traditional IRA Be Opened?

You can open different kinds of IRAs with a variety of organizations. You can open an IRA at a bank or other financial institution or with a mutual fund or life insurance company. You can also open an IRA through your stockbroker. Any IRA must meet Internal Revenue Code requirements. The requirements for the various arrangements are discussed below.

Kinds of traditional IRAs. Your traditional IRA can be an individual retirement account or annuity. It can be part of either a SEP or an employer or employee association trust account.

Individual Retirement Account

An individual retirement account is a trust or custodial account set up in the United States for the exclusive benefit of you or your beneficiaries. The account is created by a written document. The document must show that the account meets all of the following requirements.

- The trustee or custodian must be a bank, a federally insured credit union, a savings and loan association, or an entity approved by the IRS to act as trustee or custodian.
- The trustee or custodian generally can't accept contributions of more than the deductible amount for the year. However, rollover contributions and employer contributions to a SEP can be more than this amount.
- Contributions, except for rollover contributions, must be in cash. See *Rollovers*, later.
- You must have a nonforfeitable right to the amount at all times.
- Money in your account can't be used to buy a life insurance policy.
- Assets in your account can't be combined with other property, except in a common trust fund or common investment fund.
- You must start receiving distributions by April 1 of the year following the year in which you reach age $70^1/_2$. See Pub. 590-B for more information about *Required Minimum Distributions (RMDs)* and other distribution rules.

Individual Retirement Annuity

You can open an individual retirement annuity by purchasing an annuity contract or an endowment contract from a life insurance company.

An individual retirement annuity must be issued in your name as the owner, and either you or your beneficiaries who survive you are the only ones who can receive the benefits or payments.

An individual retirement annuity must meet all the following requirements.

- Your entire interest in the contract must be nonforfeitable.
- The contract must provide that you can't transfer any portion of it to any person other than the issuer.
- There must be flexible premiums so that if your compensation changes, your payment can also change. This provision applies to contracts issued after November 6, 1978.
- The contract must provide that contributions can't be more than the deductible amount for an IRA for the year, and that you must use any refunded premiums to pay for future premiums or to buy more benefits before the end of the calendar year after the year in which you receive the refund.
- Distributions must begin by April 1 of the year following the year in which you reach age $70^1/_2$. See Pub. 590-B for more information about *Required Minimum Distributions (RMDs)* and other distribution rules.

Individual Retirement Bonds

The sale of individual retirement bonds issued by the federal government was suspended after April 30, 1982. The bonds have the following features.

- They stop earning interest when you reach age $70^1/_2$. If you die, interest will stop 5 years after your death, or on the date you would have reached age $70^1/_2$, whichever is earlier.
- You can't transfer the bonds.

If you cash (redeem) the bonds before the year in which you reach age $59^1/_2$, you may be subject to a 10% additional tax. See Pub. 590-B for more information about *Age $59^1/_2$ Rule for Early Distributions* and other distribution rules. You can roll over redemption proceeds into IRAs.

SIMPLE IRAs

A SIMPLE IRA plan is a tax-favored retirement plan that certain small employers (including self-employed employees) can set up for the benefit of their employees. Your participation in your employer's SIMPLE IRA plan doesn't prevent you from making contributions to a traditional or Roth IRA. See Pub. 560 for more information about SIMPLE IRAs.

Simplified Employee Pension (SEP)

A SEP is a written arrangement that allows your employer to make deductible contributions to a traditional IRA (a SEP IRA) set up for you to receive such contributions. Generally, distributions from SEP IRAs are subject to the withdrawal and tax rules that apply to traditional IRAs. See Pub. 560 for more information about SEPs.

Employer and Employee Association Trust Accounts

Your employer or your labor union or other employee association can set up a trust to provide individual retirement accounts for employees or members. The requirements for individual retirement accounts apply to these traditional IRAs.

Required Disclosures

The trustee or issuer (sometimes called the sponsor) of your traditional IRA generally must give you a disclosure statement at least 7 days before you open your IRA.

However, the sponsor doesn't have to give you the statement until the date you open (or purchase, if earlier) your IRA, provided you are given at least 7 days from that date to revoke the IRA.

The disclosure statement must explain certain items in plain language. For example, the statement should explain when and how you can revoke the IRA, and include the name, address, and telephone number of the person to receive the notice of cancellation. This explanation must appear at the beginning of the disclosure statement.

If you revoke your IRA within the revocation period, the sponsor must return to you the entire amount you paid. The sponsor must report on the appropriate IRS forms both your contribution to the IRA (unless it was made by a trustee-to-trustee transfer) and the amount returned to you. These requirements apply to all sponsors.

How Much Can Be Contributed?

There are limits and other rules that affect the amount that can be contributed to a traditional IRA. These limits and rules are explained below.

Community property laws. Except as discussed later under Kay Bailey Hutchison Spousal IRA Limit, each spouse figures his or her limit separately, using his or her own compensation. This is the rule even in states with community property laws.

Brokers' commissions. Brokers' commissions paid in connection with your traditional IRA are subject to the contribution limit. For information about whether you can deduct brokers' commissions, see Brokers' commissions, later, under *How Much Can You Deduct*.

Trustees' fees. Trustees' administrative fees aren't subject to the contribution limit. For information about whether you can deduct trustees' fees, see Trustees' fees, later, under *How Much Can You Deduct*.

Qualified reservist repayments. If you were a member of a reserve component and you were ordered or called to active duty after September 11, 2001, you may be able to contribute (repay) to an IRA amounts equal to any qualified reservist distributions (defined under *Early Distributions* in Pub. 590-B) you received. You can make these repayment contributions even if they would cause your total contributions to the IRA to be more than the general limit on contributions. To be eligible to make these repayment contributions, you must have received a qualified reservist distribution from an IRA or from a section 401(k) or 403(b) plan or a similar arrangement. See Pub. 590-B under *Early Distributions* for more information on qualified reservist distributions.

Limit. Your qualified reservist repayments can't be more than your qualified reservist distributions.

When repayment contributions can be made. You can't make these repayment contributions later than the date that is 2 years after your active duty period ends.

No deduction. You can't deduct qualified reservist repayments.

Reserve component. The term "reserve component" means the:

- Army National Guard of the United States,
- Army Reserve,
- Naval Reserve,
- Marine Corps Reserve,
- Air National Guard of the United States,
- Air Force Reserve,
- Coast Guard Reserve, or
- Reserve Corps of the Public Health Service.

Figuring your IRA deduction. The repayment of qualified reservist distributions doesn't affect the amount you can deduct as an IRA contribution.

Reporting the repayment. If you repay a qualified reservist distribution, include the amount of the repayment with nondeductible contributions on line 1 of Form 8606.

Example. In 2019, your IRA contribution limit is $6,000. However, because of your filing status and AGI, the limit on the amount you can deduct is $3,500. You can make a nondeductible contribution of $2,500 ($6,000 - $3,500). In an earlier year, you received a $3,000 qualified reservist distribution, which you would like to repay this year.

For 2019, you can contribute a total of $9,000 to your IRA. This is made up of the maximum deductible contribution of $3,500; a nondeductible contribution of $2,500; and a $3,000 qualified reservist repayment. You contribute the maximum allowable for the year. Since you are making a nondeductible contribution ($2,500) and a qualified reservist repayment ($3,000), you must file Form 8606 with your return and include $5,500 ($2,500 + $3,000) on line 1 of Form 8606. The qualified reservist repayment isn't deductible.

CAUTION *Contributions on your behalf to a traditional IRA reduce your limit for contributions to a Roth IRA. See chapter 2 for information about Roth IRAs.*

General Limit

For 2019, the most that can be contributed to your traditional IRA generally is the smaller of the following amounts.

- $6,000 ($7,000 if you are age 50 or older).
- Your taxable compensation (defined earlier) for the year.

Note. This limit is reduced by any contributions to a section 501(c)(18) plan (generally, a pension plan created before June 25, 1959, that is funded entirely by employee contributions).

This is the most that can be contributed regardless of whether the contributions are to one or more traditional IRAs or whether all or part of the contributions are nondeductible. (See Nondeductible Contributions, later.) Qualified reservist repayments don't affect this limit.

Examples. George, who is 34 years old and single, earns $24,000 in 2019. His IRA contributions for 2019 are limited to $6,000.

Danny, an unmarried college student working part time, earns $3,500 in 2019. His IRA contributions for 2019 are limited to $3,500, the amount of his compensation.

More than one IRA. If you have more than one IRA, the limit applies to the total contributions made on your behalf to all your traditional IRAs for the year.

Annuity or endowment contracts. If you invest in an annuity or endowment contract under an individual retirement annuity, no more than $6,000 ($7,000 if you are age 50 or older) can be contributed toward its cost for the tax year, including the cost of life insurance coverage. If more than this amount is contributed, the annuity or endowment contract is disqualified.

Kay Bailey Hutchison Spousal IRA Limit

For 2019, if you file a joint return and your taxable compensation is less than that of your spouse, the most that can be contributed for the year to your IRA is the smaller of the following two amounts.

1. $6,000 ($7,000 if you are age 50 or older).
2. The total compensation includible in the gross income of both you and your spouse for the year, reduced by the following two amounts.
   a. Your spouse's IRA contribution for the year to a traditional IRA.
   b. Any contributions for the year to a Roth IRA on behalf of your spouse.

This means that the total combined contributions that can be made for the year to your IRA and your spouse's IRA can be as much as $12,000 ($13,000 if only one of you is age 50 or older, or $14,000 if both of you are age 50 or older).

Note. This traditional IRA limit is reduced by any contributions to a section 501(c)(18) plan (generally, a pension plan created before June 25, 1959, that is funded entirely by employee contributions).

Example. Kristin, a full-time student with no taxable compensation, marries Carl during the year. Neither of them was age 50 by the end of 2019. For the year, Carl has taxable compensation of $30,000. He plans to contribute (and deduct) $6,000 to a traditional IRA. If he and Kristin file a joint return, each can contribute $6,000 to a traditional IRA. This is because Kristin, who has no compensation, can add Carl's compensation, reduced by the amount of his IRA contribution ($30,000 − $6,000 = $24,000), to her own compensation (-0-) to figure her maximum contribution to a traditional IRA. In her case, $6,000 is her contribution limit, because $6,000 is less than $24,000 (her compensation for purposes of figuring her contribution limit).

Filing Status

Generally, except as discussed earlier under Kay Bailey Hutchison Spousal IRA Limit, your filing status has no effect on the amount of allowable contributions to your traditional IRA. However, if during the year either you or your spouse was covered by a retirement plan at work, your deduction may be reduced or eliminated, depending on your filing status and income. See How Much Can You Deduct, later.

Example. Tom and Darcy are married and both are 53. They both work and each has a traditional IRA. Tom earned $3,800 and Darcy earned $48,000 in 2019. Because of the Kay Bailey Hutchison Spousal IRA limit rule, even though Tom earned less than $7,000, they can contribute up to $7,000 to his IRA for 2019 if they file a joint return. They can contribute up to $7,000 to Darcy's IRA. If they file separate returns, the amount that can be contributed to Tom's IRA is limited by his earned income, $3,800.

Less Than Maximum Contributions

If contributions to your traditional IRA for a year were less than the limit, you can't contribute more after the due date of your return for that year to make up the difference.

Example. Rafael, who is 40, earns $30,000 in 2019. Although he can contribute up to $6,000 for 2019, he contributes only $3,000. After April 15, 2020, Rafael can't make up the difference between his actual contributions for 2019 ($3,000) and his 2019 limit ($6,000). He can't contribute $3,000 more than the limit for any later year.

More Than Maximum Contributions

If contributions to your IRA for a year were more than the limit, you can apply the excess contribution in one year to a later year if the contributions for that later year are less than the maximum allowed for that year. However, a penalty or additional tax may apply. See Excess Contributions, later, under *What Acts Result in Penalties or Additional Taxes*.

When Can Contributions Be Made?

As soon as you open your traditional IRA, contributions can be made to it through your chosen sponsor (trustee or other administrator). Contributions must be in the form of money (cash, check, or money order). Property can't be contributed.

Although property can't be contributed, your IRA may invest in certain property. For example, your IRA may purchase shares of stock. For other restrictions on the use of funds in your IRA, see Prohibited Transactions, later in this chapter. You may be able to transfer or roll over certain property from one retirement plan to another. See the discussion of rollovers and other transfers later in this chapter under Can You Move Retirement Plan Assets.

TIP *You can make a contribution to your IRA by having your income tax refund (or a portion of your refund), if any, paid directly to your traditional IRA, Roth IRA, or SEP IRA. For details, see the instructions for your income tax return or Form 8888, Allocation of Refund (Including Savings Bond Purchases).*

Contributions can be made to your traditional IRA for each year that you receive compensation and haven't reached age 70$^1/_2$. For any year in which you don't work, contributions can't be made to your IRA unless you receive taxable alimony, nontaxable combat pay, military differential pay, or file a joint return with a spouse who has compensation. See Who Can Open a Traditional IRA, earlier. Even if contributions can't be made for the current year, the amounts contributed for years in which you did qualify can remain in your IRA. Contributions can resume for any years that you qualify.

Contributions must be made by due date. Contributions can be made to your traditional IRA for a year at any time during the year or by the due date for filing your return for that year, not including extensions. For most people, this means that contributions for 2019 must be made by April 15, 2020.

Age 70$^1/_2$ rule. Contributions can't be made to your traditional IRA for the year in which you reach age 70$^1/_2$ or for any later year.

You attain age 70$^1/_2$ on the date that is 6 calendar months after the 70th anniversary of your birth. If you were born on or before June 30, 1949, you can't contribute for 2019 or any later year.

Designating year for which contribution is made. If an amount is contributed to your traditional IRA between January 1 and April 15, you should tell the sponsor which year (the current year or the previous year) the contribution is for. If you don't tell the sponsor which year it is for, the sponsor can assume, and report to the IRS, that the contribution is for the current year (the year the sponsor received it).

Filing before a contribution is made. You can file your return claiming a traditional IRA contribution before the contribution is actually made. Generally, the contribution must be made by the due date of your return, not including extensions.

Contributions not required. You don't have to contribute to your traditional IRA for every tax year, even if you can.

How Much Can You Deduct?

Generally, you can deduct the lesser of:

- The contributions to your traditional IRA for the year, or
- The general limit (or the Kay Bailey Hutchison Spousal IRA limit, if applicable) explained earlier under How Much Can Be Contributed.

However, if you or your spouse was covered by an employer retirement plan, you may not be able to deduct this amount. See Limit if Covered by Employer Plan, later.

TIP *You may be able to claim a credit for contributions to your traditional IRA. For more information, see chapter 3.*

Trustees' fees. Trustees' administrative fees that are billed separately and paid in connection with your traditional IRA aren't deductible as IRA contributions. You are also not able to deduct these fees as an itemized deduction.

Brokers' commissions. These commissions are part of your IRA contribution and, as such, are deductible subject to the limits.

Full deduction. If neither you nor your spouse was covered for any part of the year by an employer retirement plan, you can take a deduction for total contributions to one or more of your traditional IRAs of up to the lesser of:

- $6,000 ($7,000 if you are age 50 or older), or
- 100% of your compensation.

This limit is reduced by any contributions made to a 501(c)(18) plan on your behalf.

Kay Bailey Hutchison Spousal IRA. In the case of a married couple with unequal compensation who file a joint return, the deduction for contributions to the traditional IRA of the spouse with less compensation is limited to the lesser of:

1. $6,000 ($7,000 if the spouse with the lower compensation is age 50 or older), or
2. The total compensation includible in the gross income of both spouses for the year reduced by the following three amounts.
   a. The IRA deduction for the year of the spouse with the greater compensation.
   b. Any designated nondeductible contribution for the year made on behalf of the spouse with the greater compensation.
   c. Any contributions for the year to a Roth IRA on behalf of the spouse with the greater compensation.

This limit is reduced by any contributions to a section 501(c)(18) plan on behalf of the spouse with the lesser compensation.

Note. If you were divorced or legally separated (and didn't remarry) before the end of the year, you can't deduct any contributions to your spouse's IRA. After a divorce or legal separation, you can deduct only the contributions to your own IRA. Your deductions are subject to the rules for single individuals.

Covered by an employer retirement plan. If you or your spouse was covered by an employer retirement plan at any time during the year for which contributions were made, your deduction may be further limited. This is discussed later under *Limit if Covered by Employer Plan*. Limits on the amount you can deduct don't affect the amount that can be contributed.

Are You Covered by an Employer Plan?

The Form W-2 you receive from your employer has a box used to indicate whether you were covered for the year. The "Retirement plan" box should be checked if you were covered.

Reservists and volunteer firefighters should also see *Situations in Which You Aren't Covered*, later.

If you aren't certain whether you were covered by your employer's retirement plan, you should ask your employer.

Federal judges. For purposes of the IRA deduction, federal judges are covered by an employer plan.

For Which Year(s) Are You Covered?

Special rules apply to determine the tax years for which you are covered by an employer plan. These rules differ depending on whether the plan is a defined contribution plan or a defined benefit plan.

Tax year. Your tax year is the annual accounting period you use to keep records and report income and expenses on your income tax return. For almost all people, the tax year is the calendar year.

Defined contribution plan. Generally, you are covered by a defined contribution plan for a tax year if amounts are contributed or allocated to your account for the plan year that ends with or within that tax year. However, also see *Situations in Which You Aren't Covered*, later.

A defined contribution plan is a plan that provides for a separate account for each person covered by the plan. In a defined contribution plan, the amount to be contributed to each participant's account is spelled out in the plan. The level of benefits actually provided to a participant depends on the total amount contributed to that participant's account and any earnings and losses on those contributions. Types of defined contribution plans include profit-sharing plans, stock bonus plans, and money purchase pension plans.

Example. Company A has a money purchase pension plan. Its plan year is from July 1 to June 30. The plan provides that contributions must be allocated as of June 30. Bob, an employee, leaves Company A on December 31, 2018. The contribution for the plan year ending on June 30, 2019, is made February 15, 2020. Because an amount is contributed to Bob's account for the plan year, Bob is covered by the plan for his 2019 tax year.

A special rule applies to certain plans in which it isn't possible to determine if an amount will be contributed to your account for a given plan year. If, for a plan year, no amounts have been allocated to your account that are attributable to employer contributions, employee contributions, or forfeitures, by the last day of the plan year, and contributions are discretionary for the plan year, you aren't covered for the tax year in which the plan year ends. If, after the plan year ends, the employer makes a contribution for that plan year, you are covered for the tax year in which the contribution is made.

Example. Mickey was covered by a profit-sharing plan and left the company on December 31, 2018. The plan year runs from July 1 to June 30. Under the terms of the plan, employer contributions don't have to be made, but if they are made, they are contributed to the plan before the due date for filing the company's tax return. Such contributions are allocated as of the last day of the plan year, and allocations are made to the accounts of individuals who have any service during the plan year. As of June 30, 2019, no contributions were made that were allocated to the June 30, 2019, plan year, and no forfeitures had been allocated within the plan year. In addition, as of that date, the company wasn't obligated to make a contribution for such plan year and it was impossible to determine whether or not a contribution would be made for the plan year. On December 31, 2019, the company decided to contribute to the plan for the plan year ending June 30, 2019. That contribution was made on February 15, 2020. Mickey is an active participant in the plan for his 2020 tax year but not for his 2019 tax year.

No vested interest. If an amount is allocated to your account for a plan year, you are covered by that plan even if you have no vested interest in (legal right to) the account.

Defined benefit plan. If you are eligible to participate in your employer's defined benefit plan for the plan year that ends within your tax year, you are covered by the plan. This rule applies even if you:

- Declined to participate in the plan,
- Didn't make a required contribution, or
- Didn't perform the minimum service required to accrue a benefit for the year.

A defined benefit plan is any plan that isn't a defined contribution plan. In a defined benefit plan, the level of benefits to be provided to each participant is spelled out in the plan. The plan administrator figures the amount needed to provide those benefits and those amounts are contributed to the plan. Defined benefit plans include pension plans and annuity plans.

Example. Nick, an employee of Company B, is eligible to participate in Company B's defined benefit plan, which has a July 1 to June 30 plan year. Nick leaves Company B on December 31, 2018. Because Nick is eligible to participate in the plan for its year ending June 30, 2019, he is covered by the plan for his 2019 tax year.

No vested interest. If you accrue a benefit for a plan year, you are covered by that plan even if you have no vested interest in (legal right to) the accrual.

Situations in Which You Aren’t Covered

Unless you are covered by another employer plan, you aren’t covered by an employer plan if you are in one of the situations described below.

Social security or railroad retirement. Coverage under social security or railroad retirement isn’t coverage under an employer retirement plan.

Benefits from previous employer's plan. If you receive retirement benefits from a previous employer's plan, you aren’t covered by that plan.

Reservists. If the only reason you participate in a plan is because you are a member of a reserve unit of the Armed Forces, you may not be covered by the plan. You aren’t covered by the plan if both of the following conditions are met.

1. The plan you participate in is established for its employees by:
   a. The United States,
   b. A state or political subdivision of a state, or
   c. An instrumentality of either (a) or (b) above.
2. You didn’t serve more than 90 days on active duty during the year (not counting duty for training).

Volunteer firefighters. If the only reason you participate in a plan is because you are a volunteer firefighter, you may not be covered by the plan. You aren’t covered by the plan if both of the following conditions are met.

1. The plan you participate in is established for its employees by:
   a. The United States,
   b. A state or political subdivision of a state, or
   c. An instrumentality of either (a) or (b) above.
2. Your accrued retirement benefits at the beginning of the year won’t provide more than $1,800 per year at retirement.

Limit if Covered by Employer Plan

As discussed earlier, the deduction you can take for contributions made to your traditional IRA depends on whether you or your spouse was covered for any part of the year by an employer retirement plan. Your deduction is also affected by how much income you had and by your filing status. Your deduction may also be affected by social security benefits you received.

Reduced or no deduction. If either you or your spouse was covered by an employer retirement plan, you may be entitled to only a partial (reduced) deduction or no deduction at all, depending on your income and your filing status.

Your deduction begins to decrease (phase out) when your income rises above a certain amount and is eliminated altogether when it reaches a higher amount. These amounts vary depending on your filing status.

To determine if your deduction is subject to the phaseout, you must determine your modified AGI and your filing status, as explained later under *Deduction Phaseout*. Once you have determined your modified AGI and your filing status, you can use Table 1-2 or Table 1-3 to determine if the phaseout applies.

Social Security Recipients

Instead of using Table 1-2 or Table 1-3 and Worksheet 1-2, complete the worksheets in Appendix B of this publication if, for the year, all of the following apply.

- You received social security benefits.
- You received taxable compensation.
- Contributions were made to your traditional IRA.
- You or your spouse were covered by an employer retirement plan.

Use the worksheets in Appendix B to figure your IRA deduction, your nondeductible contribution, and the taxable portion, if any, of your social security benefits. Appendix B includes an example with filled-in worksheets to assist you.

Deduction Phaseout

The amount of any reduction in the limit on your IRA deduction (phaseout) depends on whether you or your spouse was covered by an employer retirement plan.

Covered by a retirement plan. If you are covered by an employer retirement plan and you didn’t receive any social security retirement benefits, your IRA deduction may be reduced or eliminated depending on your filing status and modified AGI, as shown in Table 1-2.

If your spouse is covered. If you aren’t covered by an employer retirement plan, but your spouse is, and you didn’t receive any social security benefits, your IRA deduction may be reduced or eliminated entirely depending on your filing status and modified AGI as shown in Table 1-3.

Filing status. Your filing status depends primarily on your marital status. For this purpose, you need to know if your filing status is single or head of household, married filing jointly or qualifying widow(er), or married filing separately. If you need more information on filing status, see

Table 1-2. **Effect of Modified AGI[1] on Deduction if You Are Covered by a Retirement Plan at Work**

If you are covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.

IF your filing status is ...	AND your modified AGI is ...	THEN you can take ...
single or **head of household**	$64,000 or less	a full deduction.
	more than $64,000 but less than $74,000	a partial deduction.
	$74,000 or more	no deduction.
married filing jointly or **qualifying widow(er)**	$103,000 or less	a full deduction.
	more than $103,000 but less than $123,000	a partial deduction.
	$123,000 or more	no deduction.
married filing separately[2]	less than $10,000	a partial deduction.
	$10,000 or more	no deduction.

[1] Modified AGI (adjusted gross income). See Modified adjusted gross income (AGI), later.
[2] If you didn't live with your spouse at any time during the year, your filing status is considered Single for this purpose (therefore, your IRA deduction is determined under the "Single" filing status).

Table 1-3. **Effect of Modified AGI[1] on Deduction if You Aren't Covered by a Retirement Plan at Work**

If you aren't covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.

IF your filing status is ...	AND your modified AGI is ...	THEN you can take ...
single, **head of household,** or **qualifying widow(er)**	any amount	a full deduction.
married filing jointly or **separately** with a spouse who ***isn't*** covered by a plan at work	any amount	a full deduction.
married filing jointly with a spouse who ***is*** covered by a plan at work	$193,000 or less	a full deduction.
	more than $193,000 but less than $203,000	a partial deduction.
	$203,000 or more	no deduction.
married filing separately with a spouse who ***is*** covered by a plan at work[2]	less than $10,000	a partial deduction.
	$10,000 or more	no deduction.

[1] Modified AGI (adjusted gross income). See Modified adjusted gross income (AGI), later.
[2] You are entitled to the full deduction if you didn't live with your spouse at any time during the year.

Pub. 501, Exemptions, Standard Deduction, and Filing Information.

Lived apart from spouse. If you didn't live with your spouse at any time during the year and you file a separate return, your filing status, for this purpose, is single.

Modified adjusted gross income (AGI). You can use Worksheet 1-1 to figure your modified AGI. If you made contributions to your IRA for 2019 and received a distribution from your IRA in 2019, see Both contributions for 2019 and distributions in 2019, later.

CAUTION

Don't assume that your modified AGI is the same as your compensation. Your modified AGI may include income in addition to your compensation (discussed earlier) such as interest, dividends, and income from IRA distributions.

Form 1040 or 1040-SR. If you file Form 1040 or 1040-SR, refigure the amount on the page 2 "adjusted gross income" line without taking into account any of the following amounts.

- IRA deduction.

- Student loan interest deduction.
- Tuition and fees deduction.
- Foreign earned income exclusion.
- Foreign housing exclusion or deduction.
- Exclusion of qualified savings bond interest shown on Form 8815.
- Exclusion of employer-provided adoption benefits shown on Form 8839.

This is your modified AGI.

Form 1040-NR. If you file Form 1040-NR, refigure the amount on the page 1 “adjusted gross income” line without taking into account any of the following amounts.

- IRA deduction.
- Student loan interest deduction.
- Exclusion of qualified savings bond interest shown on Form 8815.
- Exclusion of employer-provided adoption benefits shown on Form 8839.

This is your modified AGI.

Income from IRA distributions. If you received distributions in 2019 from one or more traditional IRAs and your traditional IRAs include only deductible contributions, your distributions are fully taxable and are included in your modified AGI. See Pub. 590-B for more information on distributions.

Both contributions for 2019 and distributions in 2019. If all three of the following apply, any IRA distributions you received in 2019 may be partly tax free and partly taxable.

- You received distributions in 2019 from one or more traditional IRAs.
- You made contributions to a traditional IRA for 2019.
- Some of those contributions may be nondeductible contributions. (See *Nondeductible Contributions* and Worksheet 1-2, later.)

If this is your situation, you must figure the taxable part of the traditional IRA distribution before you can figure your modified AGI. To do this, you can use Worksheet 1-1 in Pub. 590-B.

If at least one of the above doesn’t apply, figure your modified AGI using Worksheet 1-1.

How To Figure Your Reduced IRA Deduction

If you or your spouse is covered by an employer retirement plan and you didn't receive any social security benefits, you can figure your reduced IRA deduction by using Worksheet 1-2. The Instructions for Forms 1040 and 1040-SR or the Instructions for Form 1040-NR include similar worksheets that you can use instead of the worksheet in this publication.

If you or your spouse is covered by an employer retirement plan, and you received any social security benefits, see *Social Security Recipients*, earlier.

Note. If you were married and both you and your spouse contributed to IRAs, figure your deduction and your spouse's deduction separately.

Reporting Deductible Contributions

If you file Schedule 1 (Form 1040 or 1040-SR), enter your IRA deduction on line 19 of that form. If you file Form 1040-NR, enter your IRA deduction on line 32 of that form.

Self-employed. If you are self-employed (a sole proprietor or partner) and have a SIMPLE IRA, enter your deduction for allowable plan contributions on Schedule 1 (Form 1040 or 1040-SR), line 15. If you file Form 1040-NR, enter your deduction on line 28.

Nondeductible Contributions

Although your deduction for IRA contributions may be reduced or eliminated, contributions can be made to your IRA of up to the general limit or, if it applies, the Kay Bailey Hutchison Spousal IRA limit. The difference between your total permitted contributions and your IRA deduction, if any, is your nondeductible contribution.

Example. Tony is 29 years old and single. In 2019, he was covered by a retirement plan at work. His salary is $72,000. His modified AGI is $90,000. Tony makes a $6,000 IRA contribution for 2019. Because he was covered by a retirement plan and his modified AGI is above $74,000, he can't deduct his $6,000 IRA contribution. He must designate this contribution as a nondeductible contribution by reporting it on Form 8606.

Repayment of reservist distributions. Nondeductible contributions may include repayments of qualified reservist distributions. For more information, see *Qualified reservist repayments* under *How Much Can Be Contributed*, earlier.

Difficulty of care payments. For contributions after December 20, 2019, you are able to elect to increase the nondeductible IRA contribution limit by some or all of the amount of difficulty of care payments, which are a type of qualified foster care payment, received. If you receive difficulty of care payments, then those amounts may increase the amount of nondeductible IRA contributions you can make but not above the $6,000 IRA deductible amount ($7,000 if you are 50 or older). The increase to the nondeductible IRA contribution limit equals the lesser of (i) the amount of difficulty of care payments excluded from gross income, or (ii) the amount by which the deductible limit for IRA contributions exceeds the amount of the taxpayer's compensation included in gross income for the taxable year.

Form 8606. To designate contributions as nondeductible, you must file Form 8606.

You don't have to designate a contribution as nondeductible until you file your tax return. When you file, you can even designate otherwise deductible contributions as nondeductible contributions.

You must file Form 8606 to report nondeductible contributions even if you don't have to file a tax return for the year.

Worksheet 1-1. **Figuring Your Modified AGI**

Keep for Your Records

Use this worksheet to figure your modified AGI for traditional IRA purposes.

1.	Enter your adjusted gross income (AGI) from Form 1040 or 1040-SR, line 8b; or Form 1040-NR, line 35, figured without taking into account the amount from Schedule 1 (Form 1040 or 1040-SR), line 19; or Form 1040-NR, line 32	**1.**	
2.	Enter any student loan interest deduction from Schedule 1 (Form 1040 or 1040-SR), line 20; or Form 1040-NR, line 33	**2.**	
3.	Enter any tuition and fees deduction from Schedule 1 (Form 1040 or 1040-SR), line 21	**3.**	
4.	Enter any foreign earned income exclusion and/or housing exclusion from Form 2555, line 45	**4.**	
5.	Enter any foreign housing deduction from Form 2555, line 50	**5.**	
6.	Enter any excludable savings bond interest from Form 8815, line 14	**6.**	
7.	Enter any excluded employer-provided adoption benefits from Form 8839, line 28	**7.**	
8.	Add lines 1 through 7. This is your **Modified AGI** for traditional IRA purposes	**8.**	

CAUTION

A Form 8606 isn't used for the year that you make a rollover from a qualified retirement plan to a traditional IRA and the rollover includes nontaxable amounts. In those situations, a Form 8606 is completed for the year you take a distribution from that IRA. See Form 8606 *under* Distributions Fully or Partly Taxable *in Pub. 590-B.*

Failure to report nondeductible contributions. If you don't report nondeductible contributions, all of the contributions to your traditional IRA will be treated like deductible contributions when withdrawn. All distributions from your IRA will be taxed unless you can show, with satisfactory evidence, that nondeductible contributions were made.

Penalty for overstatement. If you overstate the amount of nondeductible contributions on your Form 8606 for any tax year, you must pay a penalty of $100 for each overstatement, unless it was due to reasonable cause.

Penalty for failure to file Form 8606. You will have to pay a $50 penalty if you don't file a required Form 8606, unless you can prove that the failure was due to reasonable cause.

Tax on earnings on nondeductible contributions. As long as contributions are within the contribution limits, none of the earnings or gains on contributions (deductible or nondeductible) will be taxed until they are distributed.

Cost basis. You will have a cost basis in your traditional IRA if you made any nondeductible contributions. Your cost basis is the sum of the nondeductible contributions to your IRA minus any withdrawals or distributions of nondeductible contributions.

CAUTION

Commonly, distributions from your traditional IRAs will include both taxable and nontaxable (cost basis) amounts. See Pub. 590-B for more information on distributions for more information.

RECORDS

Recordkeeping. There is a recordkeeping worksheet, *Appendix A. Summary Record of Traditional IRA(s) for 2019*, that you can use to keep a record of deductible and nondeductible IRA contributions.

Examples—Worksheet for Reduced IRA Deduction for 2019

The following examples illustrate the use of Worksheet 1-2.

Example 1. For 2019, Tom and Betty file a joint return on Form 1040. They are both 39 years old. They are both employed. Tom is covered by his employer's retirement plan. However, Betty isn't covered by her employer's retirement plan. Tom's salary is $62,000, and Betty's is $33,500. They each have a traditional IRA and their combined modified AGI, which includes $9,000 interest and dividend income, is $104,500. Because their modified AGI is between $103,000 and $123,000 and Tom is covered by an employer plan, Tom is subject to the deduction phaseout discussed earlier under *Limit if Covered by Employer Plan*.

For 2019, Tom contributed $6,000 to his IRA, and Betty contributed $6,000 to hers. Even though they file a joint return, they must figure their IRA deduction separately.

Tom can take a deduction of only $5,550. Using Worksheet 1-2, Figuring Your Reduced IRA Deduction for 2019, Tom figures his deductible and nondeductible amounts as shown on Worksheet 1-2. Figuring Your Reduced IRA Deduction for 2019—Example 1 Illustrated.

He can choose to treat the $5,550 as either deductible or nondeductible contributions. He can either leave the $450 ($6,000 – $5,550) of nondeductible contributions in his IRA or withdraw them by April 15, 2020. He decides to treat the $5,550 as deductible contributions and leave the $450 of nondeductible contributions in his IRA.

Betty figures her IRA deduction as follows. Betty can treat all or part of her $6,000 contribution as either deductible or nondeductible. This is because she isn't covered by her employer's retirement plan, and their combined modified AGI isn't between $193,000 and $203,000. Therefore, she isn't subject to the deduction phaseout discussed earlier under *Limit if Covered by Employer Plan*, and she doesn't need to use Worksheet 1-2. Betty decides to treat her $6,000 IRA contributions as deductible.

The IRA deductions of $5,550 and $6,000 on the joint return for Tom and Betty total $11,550.

Example 2. For 2019, Ed and Sue file a joint return on Form 1040. They are both 39 years old. Ed is covered by his employer's retirement plan. Ed's salary is $45,000. Sue had no compensation for the year and didn't contribute to an IRA. Sue isn't covered by an employer plan. Ed contributed $6,000 to his traditional IRA and $6,000 to a traditional IRA for Sue (a Kay Bailey Hutchison Spousal IRA). Their combined modified AGI, which includes $2,000 interest and dividend income and a large capital gain from the sale of stock, is $195,555.

Because the combined modified AGI is $123,000 or more and Ed is covered by his employer's plan, he can't deduct any of the contribution to his traditional IRA. He can either leave the $6,000 of nondeductible contributions in his IRA or withdraw them by April 15, 2020.

Sue figures her IRA deduction as shown on Worksheet 1-2. Figuring Your Reduced IRA Deduction for 2019—Example 2 Illustrated.

Worksheet 1-2. **Figuring Your Reduced IRA Deduction for 2019**

Keep for Your Records

(Use only if you or your spouse is covered by an employer plan and your modified AGI falls between the two amounts shown below for your coverage situation and filing status.)

Note. If you were married and both you and your spouse contributed to IRAs, figure your deduction and your spouse's deduction separately.

IF you ...	AND your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
are **covered** by an employer plan	single or head of household	$64,000	$74,000
	married filing jointly or qualifying widow(er)	$103,000	$123,000
	married filing separately	$0	$10,000
aren't covered by an employer plan, but your spouse is **covered**	married filing jointly	$193,000	$203,000
	married filing separately	$0	$10,000

1. Enter applicable amount from table above . . . . . **1.** ______

2. Enter your ***modified AGI*** (that of both spouses, if married filing jointly) . . . . . **2.** ______

Note. If line 2 is equal to or more than the amount on line 1, **stop here.** Your IRA contributions aren't deductible. See *Nondeductible Contributions*, earlier.

3. Subtract line 2 from line 1. **If line 3 is $10,000 or more ($20,000 or more if married filing jointly or qualifying widow(er) and you are covered by an employer plan), stop here.** You can take a full IRA deduction for contributions of up to $6,000 ($7,000 if you are age 50 or older) or 100% of your (and if married filing jointly, your spouse's) compensation, whichever is less . . . . . **3.** ______

4. Multiply line 3 by the percentage below that applies to you. If the result isn't a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200.

- Married filing jointly or qualifying widow(er) **and** you are covered by an employer plan, multiply line 3 by 30% (0.30) (by 35% (0.35) if you are age 50 or older). . . . . . **4.** ______
- All others, multiply line 3 by 60% (0.60) (by 70% (0.70) if you are age 50 or older).

5. Enter your compensation minus any deductions on Schedule 1 (Form 1040 or 1040-SR), line 14; or Form 1040-NR, line 27 (deductible part of self-employment tax), and Schedule 1 (Form 1040 or 1040-SR), line 15; or Form 1040-NR, line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are filing a joint return and your compensation is less than your spouse's, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year. If you file Form 1040, 1040-SR, or 1040-NR, don't reduce your compensation by any losses from self-employment . . . . . **5.** ______

6. Enter contributions made, or to be made, to your IRA for 2019, but **don't** enter more than $6,000 ($7,000 if you are age 50 or older). If contributions are more than $6,000 ($7,000 if you are age 50 or older), see *Excess Contributions*, later . . . . . **6.** ______

7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount (or a smaller amount if you choose) here and on the Form 1040, 1040-SR, or 1040-NR line for your IRA, whichever applies. If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8 . . . . . **7.** ______

8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606 . . . . . **8.** ______

Worksheet 1-2. **Figuring Your Reduced IRA Deduction for 2019—Example 1 Illustrated**

(Use only if you or your spouse is covered by an employer plan and your modified AGI falls between the two amounts shown below for your coverage situation and filing status.)

Note. If you were married and both you and your spouse contributed to IRAs, figure your deduction and your spouse's deduction separately.

IF you ...	AND your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
are **covered** by an employer plan	single or head of household	$64,000	$74,000
	married filing jointly or qualifying widow(er)	$103,000	$123,000
	married filing separately	$0	$10,000
aren't covered by an employer plan, but your spouse is **covered**	married filing jointly	$193,000	$203,000
	married filing separately	$0	$10,000

1. Enter applicable amount from table above . . . **1.** 123,000

2. Enter your ***modified AGI*** (that of both spouses, if married filing jointly) . . . **2.** 104,500

Note. If line 2 is equal to or more than the amount on line 1, **stop here.** Your IRA contributions are not deductible. See *Nondeductible Contributions*, earlier.

3. Subtract line 2 from line 1. **If line 3 is $10,000 or more ($20,000 or more if married filing jointly or qualifying widow(er) and you are covered by an employer plan), stop here.** You can take a full IRA deduction for contributions of up to $6,000 ($7,000 if you are age 50 or older) or 100% of your (and if married filing jointly, your spouse's) compensation, whichever is less . . . **3.** 18,500

4. Multiply line 3 by the percentage below that applies to you. If the result isn't a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200.

- Married filing jointly or qualifying widow(er) **and** you are covered by an employer plan, multiply line 3 by 30% (0.30) (by 35% (0.35) if you are age 50 or older).
- All others, multiply line 3 by 60% (0.60) (by 70% (0.70) if you are age 50 or older).

. . . **4.** 5,550

5. Enter your compensation minus any deductions on Schedule 1 (Form 1040 or 1040-SR), line 14; or Form 1040-NR, line 27 (deductible part of self-employment tax) and Schedule 1 (Form 1040 or 1040-SR), line 15; or Form 1040-NR, line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are filing a joint return and your compensation is less than your spouse's, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year. If you file Form 1040, 1040-SR, or 1040-NR, don't reduce your compensation by any losses from self-employment . . . **5.** 62,000

6. Enter contributions made, or to be made, to your IRA for 2019, but **don't** enter more than $6,000 ($7,000 if you are age 50 or older). If contributions are more than $6,000 ($7,000 if you are age 50 or older), see *Excess Contributions*, later . . . **6.** 6,000

7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount (or a smaller amount if you choose) here and on the Form 1040, 1040-SR, or 1040-NR line for your IRA, whichever applies. If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8 . . . **7.** 5,550

8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606 . . . **8.** 450

Worksheet 1-2. **Figuring Your Reduced IRA Deduction for 2019—Example 2 Illustrated**

(Use only if you or your spouse is covered by an employer plan and your modified AGI falls between the two amounts shown below for your coverage situation and filing status.)

Note. If you were married and both you and your spouse contributed to IRAs, figure your deduction and your spouse's deduction separately.

IF you ...	**AND your filing status is ...**	**AND your modified AGI is over ...**	**THEN enter on line 1 below ...**
are **covered** by an employer plan	single or head of household	$64,000	$74,000
	married filing jointly or qualifying widow(er)	$103,000	$123,000
	married filing separately	$0	$10,000
aren't covered by an employer plan, but your spouse is **covered**	married filing jointly	$193,000	$203,000
	married filing separately	$0	$10,000

1. Enter applicable amount from table above	**1.**	203,000
2. Enter your ***modified AGI*** (that of both spouses, if married filing jointly)	**2.**	195,555
Note. If line 2 is equal to or more than the amount on line 1, **stop here.** Your IRA contributions aren't deductible. See *Nondeductible Contributions*, earlier.		
3. Subtract line 2 from line 1. **If line 3 is $10,000 or more ($20,000 or more if married filing jointly or qualifying widow(er) and you are covered by an employer plan), stop here.** You can take a full IRA deduction for contributions of up to $6,000 ($7,000 if you are age 50 or older) or 100% of your (and if married filing jointly, your spouse's) compensation, whichever is less	**3.**	7,445
4. Multiply line 3 by the percentage below that applies to you. If the result isn't a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200. • Married filing jointly or qualifying widow(er) **and** you are covered by an employer plan, multiply line 3 by 30% (0.30) (by 35% (0.35) if you are age 50 or older). • All others, multiply line 3 by 60% (0.60) (by 70% (0.70) if you are age 50 or older).	**4.**	4,470
5. Enter your compensation minus any deductions on Schedule 1 (Form 1040 or 1040-SR), line 14 or Form 1040-NR, line 27 (deductible part of self-employment tax) and Schedule 1 (Form 1040 or 1040-SR), line 15; or Form 1040-NR, line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are filing a joint return and your compensation is less than your spouse's, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year. If you file Form 1040, 1040-SR, or 1040-NR, don't reduce your compensation by any losses from self-employment	**5.**	39,000
6. Enter contributions made, or to be made, to your IRA for 2019, but **don't** enter more than $6,000 ($7,000 if you are age 50 or older). If contributions are more than $6,000 ($7,000 if you are age 50 or older), see *Excess Contributions*, later	**6.**	6,000
7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount (or a smaller amount if you choose) here and on the Form 1040, 1040-SR, or 1040-NR line for your IRA, whichever applies. If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8	**7.**	4,470
8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606	**8.**	1,530

What if You Inherit an IRA?

If you inherit a traditional IRA, you are called a beneficiary. A beneficiary can be any person or entity the owner chooses to receive the benefits of the IRA after he or she dies. Beneficiaries of a traditional IRA must include in their gross income any taxable distributions they receive.

Inherited From Spouse

If you inherit a traditional IRA from your spouse, you generally have the following three choices. You can do one of the following.

1. Treat it as your own IRA by designating yourself as the account owner.
2. Treat it as your own by rolling it over into your IRA, or to the extent it is taxable, into a:
   a. Qualified employer plan,
   b. Qualified employee annuity plan (section 403(a) plan),
   c. Tax-sheltered annuity plan (section 403(b) plan), or
   d. Deferred compensation plan of a state or local government (section 457 plan).
3. Treat yourself as the beneficiary rather than treating the IRA as your own.

Treating it as your own. You will be considered to have chosen to treat the IRA as your own if:

- Contributions (including rollover contributions) are made to the inherited IRA, or
- You don't take the required minimum distribution for a year as a beneficiary of the IRA.

You will only be considered to have chosen to treat the IRA as your own if:

- You are the sole beneficiary of the IRA, and
- You have an unlimited right to withdraw amounts from it.

However, if you receive a distribution from your deceased spouse's IRA, you can roll that distribution over into your own IRA within the 60-day time limit, as long as the distribution isn't a required distribution, even if you aren't the sole beneficiary of your deceased spouse's IRA. For more information, see *When Must You Withdraw Assets? (Required Minimum Distributions)* in Pub. 590-B for more information on required minimum distributions.

Inherited From Someone Other Than Spouse

If you inherit a traditional IRA from anyone other than your deceased spouse, you can't treat the inherited IRA as your own. This means that you can't make any contributions to the IRA. It also means you can't roll over any amounts into or out of the inherited IRA. However, you can make a trustee-to-trustee transfer as long as the IRA into which amounts are being moved is set up and maintained in the name of the deceased IRA owner for the benefit of you as beneficiary. See Pub. 590-B for more information.

Like the original owner, you generally won't owe tax on the assets in the IRA until you receive distributions from it. You must begin receiving distributions from the IRA under the rules for distributions that apply to beneficiaries.

More information. For more information about rollovers, required distributions, and inherited IRAs, see:

- Rollovers, later, under *Can You Move Retirement Plan Assets,*
- *When Must You Withdraw Assets? (Required Minimum Distributions)* in Pub. 590-B, and
- The discussion of IRA Beneficiaries under *When Must You Withdraw Assets? (Required Minimum Distributions)* in Pub. 590-B.

Can You Move Retirement Plan Assets?

You can transfer, tax free, assets (money or property) from other retirement programs (including traditional IRAs) to a traditional IRA. You can make the following kinds of transfers.

- Transfers from one trustee to another.
- Rollovers.
- Transfers incident to a divorce.

This chapter discusses all three kinds of transfers.

Transfers to Roth IRAs. Under certain conditions, you can move assets from a traditional IRA or from a designated Roth account to a Roth IRA. For more information about these transfers, see Converting From Any Traditional IRA Into a Roth IRA, later in this chapter, and Can You Move Amounts Into a Roth IRA? in chapter 2.

Transfers to Roth IRAs from other retirement plans. Under certain conditions, you can move assets from a qualified retirement plan to a Roth IRA. For more information, see Can You Move Amounts Into a Roth IRA? in chapter 2.

Trustee-to-Trustee Transfer

A transfer of funds in your traditional IRA from one trustee directly to another, either at your request or at the trustee's request, isn’t a rollover. This includes the situation where the current trustee issues a check to the new trustee but gives it to you to deposit. Because there is no distribution to you, the transfer is tax free. Because it isn’t a rollover, it isn’t affected by the 1-year waiting period required between rollovers. This waiting period is discussed later under *Rollover From One IRA Into Another*.

For information about direct transfers from retirement programs other than traditional IRAs, see *Direct rollover option*, later.

Rollovers

Generally, a rollover is a tax-free distribution to you of cash or other assets from one retirement plan that you contribute to another retirement plan within 60 days you received the payment or distribution. The contribution to the second retirement plan is called a “rollover contribution.”

Note. An amount rolled over tax free from one retirement plan to another is generally includible in income when it is distributed from the second plan.

Kinds of rollovers to a traditional IRA. You can roll over amounts from the following plans into a traditional IRA.

- A traditional IRA.
- An employer's qualified retirement plan for its employees.
- A deferred compensation plan of a state or local government (section 457 plan).
- A tax-sheltered annuity plan (section 403 plan).

Also, see Table 1-4.

Treatment of rollovers. You can’t deduct a rollover contribution, but you must report the rollover distribution on your tax return as discussed later under *Reporting rollovers from IRAs* and *Reporting rollovers from employer plans*.

Rollover notice. A written explanation of rollover treatment must be given to you by the plan (other than an IRA) making the distribution. See *Written explanation to recipients*, later, for more details.

Kinds of rollovers from a traditional IRA. You may be able to roll over, tax free, a distribution from your traditional IRA into a qualified plan. These plans include the Federal Thrift Savings Fund (for federal employees), deferred compensation plans of state or local governments (section 457 plans), and tax-sheltered annuity plans (section 403(b) plans). The part of the distribution that you can roll over is the part that would otherwise be taxable (includible in your income). Qualified plans may, but aren’t required to, accept such rollovers.

Tax treatment of a rollover from a traditional IRA to an eligible retirement plan other than an IRA. Ordinarily, when you have basis in your IRAs, any distribution is considered to include both nontaxable and taxable amounts. Without a special rule, the nontaxable portion of such a distribution couldn’t be rolled over. However, a special rule treats a distribution you roll over into an eligible retirement plan as including only otherwise taxable amounts if the amount you either leave in your IRAs or don’t roll over is at least equal to your basis. The effect of this special rule is to make the amount in your traditional IRAs that you can roll over to an eligible retirement plan as large as possible.

Eligible retirement plans. The following are considered eligible retirement plans.

- IRAs.
- Qualified trusts.
- Qualified employee annuity plans under section 403(a).
- Deferred compensation plans of state and local governments (section 457 plans).
- Tax-sheltered annuities (section 403(b) annuities).

Time Limit for Making a Rollover Contribution

You generally must make the rollover contribution by the 60th day after the day you receive the distribution from your traditional IRA or your employer's plan.

Example. You received an eligible rollover distribution from your traditional IRA on June 30, 2019, that you intend to roll over to your 403(b) plan. To postpone including the distribution in your income, you must complete the rollover by August 29, 2019, the 60th day following June 30.

The IRS may waive the 60-day requirement where the failure to do so would be against equity or good conscience, such as in the event of a casualty, disaster, or other event beyond your reasonable control. For exceptions to the 60-day period, see *Ways to get a waiver of the 60-day rollover requirement*, later.

Plan loan offset. A plan loan offset is the amount your employer plan account balance is reduced, or offset, to repay a loan from the plan. How long you have to complete the rollover of a plan loan offset depends on what kind of plan loan offset you have. For tax years beginning after December 31, 2017, if you have a qualified plan loan offset, you will have until the due date (including extensions) for your tax return for the tax year in which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

Rollovers completed after the 60-day period. In the absence of a waiver, amounts not rolled over within the

Table 1-4. **Rollover Chart**

The following chart indicates the rollovers that are permitted between various types of plans.

		Roll To							
		Roth IRA	**Traditional IRA**	**SIMPLE IRA**	**SEP IRA**	**Govern-mental 457(b) Plan**	**Qualified Plan[1] (pre-tax)**	**403(b) Plan (pre-tax)**	**Designated Roth Account (401(k), 403(b), or 457(b))**
Roll From	**Roth IRA**	Yes[2]	No	No	No	No	No	No	No
	Traditional IRA	Yes[3]	Yes [2]	Yes[2, 7], after 2 years	Yes [2]	Yes[4]	Yes	Yes	No
	SIMPLE IRA	Yes[3], after 2 years	Yes [2], after 2 years	Yes[2]	Yes [2], after 2 years	Yes[4], after 2 years	Yes, after 2 years	Yes, after 2 years	No
	SEP IRA	Yes[3]	Yes [2]	Yes[2, 7], after 2 years	Yes [2]	Yes[4]	Yes	Yes	No
	Govern-mental 457(b) Plan	Yes[3]	Yes	Yes[7], after 2 years	Yes	Yes	Yes	Yes	Yes,[3, 5]
	Qualified Plan[1] (pre-tax)	Yes[3]	Yes	Yes[7], after 2 years	Yes	Yes[4]	Yes	Yes	Yes,[3, 5]
	403(b) Plan (pre-tax)	Yes[3]	Yes	Yes[7], after 2 years	Yes	Yes[4]	Yes	Yes	Yes,[3, 5]
	Designated Roth Account (401(k), 403(b), or 457(b))	Yes	No	No	No	No	No	No	Yes[6]

[1]Qualified plans include, for example, profit-sharing, 401(k), money purchase, and defined benefit plans.
[2]Only one rollover in any 12-month period.
[3]Must include in income.
[4]Must have separate accounts.
[5]Must be an in-plan rollover.
[6]Any nontaxable amounts distributed must be rolled over by direct trustee-to-trustee transfer.
[7]Applies to rollover contributions after December 18, 2015. For more information regarding retirement plans and rollovers, visit *Tax Information for Retirement Plans*.

60-day period don't qualify for tax-free rollover treatment. You must treat them as a taxable distribution from either your IRA or your employer's plan. These amounts are taxable in the year distributed, even if the 60-day period expires in the next year. You may also have to pay a 10% additional tax on early distributions as discussed under *Early Distributions* in Pub. 590-B.

Unless there is a waiver or an extension of the 60-day rollover period, any contribution you make to your IRA more than 60 days after the distribution is a regular contribution, not a rollover contribution.

Example. You received a distribution in late December 2019 from a traditional IRA that you don't roll over into another traditional IRA within the 60-day limit. You don't qualify for a waiver. This distribution is taxable in 2019 even though the 60-day limit wasn't up until 2020.

Ways to get a waiver of the 60-day rollover requirement. There are three ways to obtain a waiver of the 60-day rollover requirement.

- You qualify for an automatic waiver.
- You self-certify that you met the requirements of a waiver.
- You request and receive a private letter ruling granting a waiver.

How do you qualify for an automatic waiver? You qualify for an automatic waiver if all of the following apply.

- The financial institution receives the funds on your behalf before the end of the 60-day rollover period.
- You followed all of the procedures set by the financial institution for depositing the funds into an IRA or other eligible retirement plan within the 60-day rollover

period (including giving instructions to deposit the funds into a plan or IRA).

- The funds aren't deposited into a plan or IRA within the 60-day rollover period solely because of an error on the part of the financial institution.
- The funds are deposited into a plan or IRA within 1 year from the beginning of the 60-day rollover period.
- It would have been a valid rollover if the financial institution had deposited the funds as instructed.

If you don't qualify for an automatic waiver, you can use the self-certification procedure to make a late rollover contribution or you can apply to the IRS for a waiver of the 60-day rollover requirement.

How do you self-certify that you qualify for a waiver? Pursuant to Revenue Procedure 2016-47 in Internal Revenue Bulletin 2016-37, available at IRB 2016-37, you may make a written certification to a plan administrator or an IRA trustee that you missed the 60-day rollover contribution deadline because of one or more of the 11 reasons listed in Revenue Procedure 2016-47. A plan administrator or an IRA trustee may rely on the certification in accepting and reporting receipt of the rollover contribution. You may make the certification by using the model letter in the appendix to the revenue procedure or by using a letter that is substantially similar. There is no IRS fee for self-certification. A copy of the certification should be kept in your files and be available if requested on audit.

Note. A self-certification is not a waiver by the IRS of the 60-day rollover requirement. If the IRS subsequently audits your income tax return, it may determine that you do not qualify for a waiver, in which case you may owe additional taxes and penalties.

How do you apply for a waiver and what is the fee? You can request a ruling according to the procedures outlined in Revenue Procedure 2003-16 and Revenue Procedure 2020-4. The appropriate user fee of $10,000 must accompany every request for a waiver of the 60-day rollover requirement (see the user fee chart in Appendix A of Revenue Procedure 2020-4).

How does the IRS determine whether to grant a waiver in a private letter ruling? In determining whether to issue a favorable letter ruling granting a waiver, the IRS will consider all of the relevant facts and circumstances, including:

- Whether errors were made by the financial institution, that is, the plan administrator, or IRA trustee, issuer or custodian;
- Whether you were unable to complete the rollover within the 60-day period due to death, disability, hospitalization, incarceration, serious illness, restrictions imposed by a foreign country, or postal error;
- Whether you used the amount distributed; and
- How much time has passed since the date of the distribution.

Note. The IRS can waive only the 60-day rollover requirement and not the other requirements for a valid rollover contribution. For example, the IRS can't waive the IRA one-rollover-per-year rule.

For more information on waivers of the 60-day rollover requirement, go to RetirementPlans-FAQs.

Amount. The rules regarding the amount that can be rolled over within the 60-day time period also apply to the amount that can be deposited due to a waiver. For example, if you received $6,000 from your IRA, the most that you can deposit into an eligible retirement plan due to a waiver is $6,000.

Extension of rollover period. If an amount distributed to you from a traditional IRA or a qualified employer retirement plan is a frozen deposit at any time during the 60-day period allowed for a rollover, two special rules extend the rollover period.

- The period during which the amount is a frozen deposit isn't counted in the 60-day period.
- The 60-day period can't end earlier than 10 days after the deposit is no longer frozen.

Frozen deposit. This is any deposit that can't be withdrawn from a financial institution because of either of the following reasons.

- The financial institution is bankrupt or insolvent.
- The state where the institution is located restricts withdrawals because one or more financial institutions in the state are (or are about to be) bankrupt or insolvent.

Rollover From One IRA Into Another

You can withdraw, tax free, all or part of the assets from one traditional IRA if you reinvest them within 60 days in the same or another traditional IRA. Because this is a rollover, you can't deduct the amount that you reinvest in an IRA.

TIP *You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution. See* *Recharacterizations in this chapter* *for more information.*

Waiting period between rollovers. Generally, if you make a tax-free rollover of any part of a distribution from a traditional IRA, you can't, within a 1-year period, make a tax-free rollover of any later distribution from that same IRA. You also can't make a tax-free rollover of any amount distributed, within the same 1-year period, from the IRA into which you made the tax-free rollover.

The 1-year period begins on the date you receive the IRA distribution, not on the date you roll it over into an IRA. Rules apply to the number of rollovers you can have with your traditional IRAs. See Application of one-rollover-per-year limitation below.

Example. You have two traditional IRAs, IRA-1 and IRA-2. In 2019, you made a tax-free rollover of a distribution from IRA-1 into a new traditional IRA (IRA-3). You can't, within 1 year of the distribution from IRA-1, make a tax-free rollover of any distribution from either IRA-1 or IRA-3 into another traditional IRA.

For 2019, the rollover from IRA-1 into IRA-3 prevents you from making a tax-free rollover from IRA-2 into any other traditional IRA. This is because in 2019 you are only allowed to make one rollover within a 1-year period. So when you make a rollover from IRA-1 to IRA-3, you can't make a rollover from IRA-2 to any other traditional IRA.

Exception. An IRA distribution made from a failed financial institution by the Federal Deposit Insurance Corporation as receiver is not treated as a rollover for purposes of the one-rollover-per-year limitation, provided:

1. Neither the failed financial institution nor the depositor initiated the distribution, and
2. No financial institution has assumed the IRAs of the failed financial institution.

Application of one-rollover-per-year limitation. You can make only one rollover from an IRA to another (or the same) IRA in any 1-year period regardless of the number of IRAs you own. The limit will apply by aggregating all of an individual's IRAs, including SEP and SIMPLE IRAs as well as traditional and Roth IRAs, effectively treating them as one IRA for purposes of the limit. However, trustee-to-trustee transfers between IRAs aren't limited and rollovers from traditional IRAs to Roth IRAs (conversions) aren't limited.

Example. John has three traditional IRAs: IRA-1, IRA-2, and IRA-3. John didn't take any distributions from his IRAs in 2019. On January 1, 2020, John took a distribution from IRA-1 and rolled it over into IRA-2 on the same day. For 2020, John can't roll over any other 2020 IRA distribution, including a rollover distribution involving IRA-3. This wouldn't apply to a conversion.

The same property must be rolled over. If property is distributed to you from an IRA and you complete the rollover by contributing property to an IRA, your rollover is tax free only if the property you contribute is the same property that was distributed to you.

Partial rollovers. If you withdraw assets from a traditional IRA, you can roll over part of the withdrawal tax free and keep the rest of it. The amount you keep will generally be taxable (except for the part that is a return of nondeductible contributions). The amount you keep may be subject to the 10% additional tax on early distributions discussed later under *What Acts Result in Penalties or Additional Taxes*.

Required distributions. Amounts that must be distributed during a particular year under the required distribution rules (discussed in Pub. 590-B) aren't eligible for rollover treatment.

Inherited IRAs. If you inherit a traditional IRA from your spouse, you generally can roll it over, or you can choose to make the inherited IRA your own as discussed earlier under *What if You Inherit an IRA*.

Reporting rollovers from IRAs. Report any rollover from one traditional IRA to the same or another traditional IRA on Form 1040 or 1040-SR, lines 4a and 4b; or Form 1040-NR, lines 16a and 16b.

Enter the total amount of the distribution on Form 1040 or 1040-SR, line 4a; or Form 1040-NR, line 16a. If the total amount on Form 1040 or 1040-SR, line 4a; or Form 1040-NR, line 16a, was rolled over, enter zero on Form 1040 or 1040-SR, line 4b; or Form 1040-NR, line 16b. If the total distribution wasn't rolled over, enter the taxable portion of the part that wasn't rolled over on Form 1040 or 1040-SR, line 4b; or Form 1040-NR, line 16b. Enter "Rollover" next to line 4b, Form 1040 or 1040-SR; or line 16b, Form 1040-NR. See your tax return instructions.

If you rolled over the distribution into a qualified plan (other than an IRA) or you make the rollover in 2020, attach a statement explaining what you did.

For information on how to figure the taxable portion, see *Are Distributions Taxable?* in Pub. 590-B.

Rollover From Employer's Plan Into an IRA

You can roll over into a traditional IRA all or part of an eligible rollover distribution you receive from your (or your deceased spouse's):

- Employer's qualified pension, profit-sharing, or stock bonus plan;
- Annuity plan;
- Tax-sheltered annuity plan (section 403(b) plan); or
- Governmental deferred compensation plan (section 457 plan).

A qualified plan is one that meets the requirements of the Internal Revenue Code.

Eligible rollover distribution. Generally, an eligible rollover distribution is any distribution of all or part of the balance to your credit in a qualified retirement plan except the following.

1. A required minimum distribution (explained later under *When Must You Withdraw Assets? (Required Minimum Distributions)* in Pub. 590-B).
2. A hardship distribution.
3. Any of a series of substantially equal periodic distributions paid at least once a year over:
   a. Your lifetime or life expectancy,
   b. The lifetimes or life expectancies of you and your beneficiary, or
   c. A period of 10 years or more.

4. Corrective distributions of excess contributions or excess deferrals, and any income allocable to the excess, or of excess annual additions and any allocable gains.
5. A loan treated as a distribution because it doesn't satisfy certain requirements either when made or later (such as upon default), unless the participant's accrued benefits are reduced (offset) to repay the loan. See the discussion earlier of plan loan offsets (including qualified plan loan offsets) under *Time Limit for Making a Rollover Contribution*.
6. Dividends on employer securities.
7. The cost of life insurance coverage.

Your rollover into a traditional IRA may include both amounts that would be taxable and amounts that wouldn't be taxable if they were distributed to you, but not rolled over. To the extent the distribution is rolled over into a traditional IRA, it isn't includible in your income.

TIP *Any nontaxable amounts that you roll over into your traditional IRA become part of your basis (cost) in your IRAs. To recover your basis when you take distributions from your IRA, you must complete Form 8606 for the year of the distribution. See* Form 8606 *under* Distributions Fully or Partly Taxable *in Pub. 590-B.*

Rollover by nonspouse beneficiary. If you are a designated beneficiary (other than a surviving spouse) of a deceased employee, you can roll over all or part of an eligible rollover distribution from one of the types of plans listed above into a traditional IRA. You must make the rollover by a direct trustee-to-trustee transfer into an inherited IRA.

You will determine your required minimum distributions in years after you make the rollover based on whether the employee died before his or her required beginning date for taking distributions from the plan. For more information, see *Distributions after the employee's death* under *Tax on Excess Accumulation* in Pub. 575.

Written explanation to recipients. Before making an eligible rollover distribution, the administrator of a qualified retirement plan must provide you with a written explanation. It must tell you about all of the following.

- Your right to have the distribution paid tax free directly to a traditional IRA or another eligible retirement plan.
- The requirement to withhold tax from the distribution if it isn't paid directly to a traditional IRA or another eligible retirement plan.
- The tax treatment of any part of the distribution that you roll over to a traditional IRA or another eligible retirement plan within 60 days after you receive the distribution.
- Other qualified retirement plan rules, if they apply, including those for lump-sum distributions, alternate payees, and cash or deferred arrangements.
- How the plan receiving the distribution differs from the plan making the distribution in its restrictions and tax consequences.

The plan administrator must provide you with this written explanation no earlier than 90 days and no later than 30 days before the distribution is made.

However, you can choose to have a distribution made less than 30 days after the explanation is provided as long as both of the following requirements are met.

- You are given at least 30 days after the notice is provided to consider whether you want to elect a direct rollover.
- You are given information that clearly states that you have this 30-day period to make the decision.

Contact the plan administrator if you have any questions regarding this information.

Withholding requirement. Generally, if an eligible rollover distribution is paid directly to you, the payer must withhold 20% of it. This applies even if you plan to roll over the distribution to a traditional IRA. You can avoid withholding by choosing the direct rollover option, discussed later.

Exceptions. The payer doesn't have to withhold from an eligible rollover distribution paid to you if either of the following conditions applies.

- The distribution and all previous eligible rollover distributions you received during your tax year from the same plan (or, at the payer's option, from all your employer's plans) total less than $200.
- The distribution consists solely of employer securities, plus cash of $200 or less in lieu of fractional shares.

CAUTION *The amount withheld is part of the distribution. If you roll over less than the full amount of the distribution, you may have to include in your income the amount you don't roll over. However, you can make up the amount withheld with funds from other sources.*

Other withholding rules. The 20% withholding requirement doesn't apply to distributions that aren't eligible rollover distributions. However, other withholding rules apply to these distributions. The rules that apply depend on whether the distribution is a periodic distribution or a nonperiodic distribution. For either of these types of distributions, you can still choose not to have tax withheld. For more information, see Pub. 575.

Direct rollover option. Your employer's qualified plan must give you the option to have any part of an eligible rollover distribution paid directly to a traditional IRA. The plan isn't required to give you this option if your eligible rollover distributions are expected to total less than $200 for the year.

Withholding. If you choose the direct rollover option, no tax is withheld from any part of the designated distribution that is directly paid to the trustee of the traditional IRA.

If any part is paid to you, the payer must withhold 20% of that part's taxable amount.

Choosing an option. Table 1-5 may help you decide which distribution option to choose. Carefully compare the effects of each option.

Table 1-5. **Comparison of Payment to You Versus Direct Rollover**

Affected item	Result of a payment to you	Result of a direct rollover
Withholding	The payer must withhold 20% of the taxable part.	There is no withholding.
Additional tax	If you are under age 59½, a 10% additional tax may apply to the taxable part (including an amount equal to the tax withheld) that isn't rolled over.	There is no 10% additional tax. See *Early Distributions* in Pub. 590-B.
When to report as income	Any taxable part (including the taxable part of any amount withheld) not rolled over is income to you in the year paid.	Any taxable part isn't income to you until later distributed to you from the IRA.

TIP *If you decide to roll over any part of a distribution, the direct rollover option will generally be to your advantage. This is because you won't have 20% withholding or be subject to the 10% additional tax under that option.*

If you have a lump-sum distribution and don't plan to roll over any part of it, the distribution may be eligible for special tax treatment that could lower your tax for the distribution year. In that case, you may want to see Pub. 575 and Form 4972, Tax on Lump-Sum Distributions, and its instructions to determine whether your distribution qualifies for special tax treatment and, if so, to figure your tax under the special methods.

You can then compare any advantages from using Form 4972 to figure your tax on the lump-sum distribution with any advantages from rolling over all or part of the distribution. However, if you roll over any part of the lump-sum distribution, you can't use the Form 4972 special tax treatment for any part of the distribution.

Contributions you made to your employer's plan. You can roll over a distribution of voluntary deductible employee contributions (DECs) you made to your employer's plan. Prior to January 1, 1987, employees could make and deduct these contributions to certain qualified employers' plans and government plans. These aren't the same as an employee's elective contributions to a 401(k) plan, which aren't deductible by the employee.

If you receive a distribution from your employer's qualified plan of any part of the balance of your DECs and the earnings from them, you can roll over any part of the distribution.

No waiting period between rollovers. The once-a-year limit on IRA-to-IRA rollovers doesn't apply to eligible rollover distributions from an employer plan. You can roll over more than one distribution from the same employer plan within a year.

IRA as a holding account (conduit IRA) for rollovers to other eligible plans. If you receive an eligible rollover distribution from your employer's plan, you can roll over part or all of it into one or more conduit IRAs. You can later roll over those assets into a new employer's plan. You can use a traditional IRA as a conduit IRA. You can roll over part or all of the conduit IRA to a qualified plan, even if you make regular contributions to it or add funds from sources other than your employer's plan. However, if you make regular contributions to the conduit IRA or add funds from other sources, the qualified plan into which you move funds won't be eligible for any optional tax treatment for which it might have otherwise qualified.

Property and cash received in a distribution. If you receive both property and cash in an eligible rollover distribution, you can roll over part or all of the property, part or all of the cash, or any combination of the two that you choose.

The same property (or sales proceeds) must be rolled over. If you receive property in an eligible rollover distribution from a qualified retirement plan, you can't keep the property and contribute cash to a traditional IRA in place of the property. You must either roll over the property or sell it and roll over the proceeds, as explained next.

Sale of property received in a distribution from a qualified plan. Instead of rolling over a distribution of property other than cash, you can sell all or part of the property and roll over the amount you receive from the sale (the proceeds) into a traditional IRA. You can't keep the property and substitute your own funds for property you received.

Example. You receive a total distribution from your employer's plan consisting of $10,000 cash and $15,000 worth of property. You decide to keep the property. You can roll over to a traditional IRA the $10,000 cash received, but you can't roll over an additional $15,000 representing the value of the property you choose not to sell.

Treatment of gain or loss. If you sell the distributed property and roll over all the proceeds into a traditional IRA, no gain or loss is recognized. The sale proceeds (including any increase in value) are treated as part of the distribution and aren't included in your gross income.

Example. On September 6, Mike received a lump-sum distribution from his employer's retirement plan of $50,000 in cash and $50,000 in stock. The stock wasn't stock of his employer. On September 24, he sold the stock for $60,000. On October 6, he rolled over $110,000 in cash ($50,000 from the original distribution and $60,000 from the sale of stock). Mike doesn't include the $10,000 gain from the sale of stock as part of his income because he rolled over the entire amount into a traditional IRA.

Note. Special rules may apply to distributions of employer securities. For more information, see *Figuring the Taxable Amount* under *Taxation of Nonperiodic Payments* in Pub. 575.

Partial rollover. If you received both cash and property, or just property, but didn't roll over the entire distribution, see *Rollovers* in Pub. 575.

Life insurance contract. You can't roll over a life insurance contract from a qualified plan into a traditional IRA.

Distributions received by a surviving spouse. If you receive an eligible rollover distribution (defined earlier) from your deceased spouse's eligible retirement plan (defined earlier), you can roll over part or all of it into a traditional IRA. You can also roll over all or any part of a distribution of DECs.

Distributions under divorce or similar proceedings (alternate payees). If you are the spouse or former spouse of an employee and you receive a distribution from a qualified retirement plan as a result of divorce or similar proceedings, you may be able to roll over all or part of it into a traditional IRA. To qualify, the distribution must be:

- One that would have been an eligible rollover distribution (defined earlier) if it had been made to the employee, and
- Made under a qualified domestic relations order.

Qualified domestic relations order. A domestic relations order is a judgment, decree, or order (including approval of a property settlement agreement) that is issued under the domestic relations law of a state. A "qualified domestic relations order" gives to an alternate payee (a spouse, former spouse, child, or dependent of a participant in a retirement plan) the right to receive all or part of the benefits that would be payable to a participant under the plan. The order requires certain specific information, and it can't alter the amount or form of the benefits of the plan.

Tax treatment if all of an eligible distribution isn't rolled over. Any part of an eligible rollover distribution that you keep is taxable in the year you receive it. If you don't roll over any of it, special rules for lump-sum distributions may apply. See *Lump-Sum Distributions* under *Taxation of Nonperiodic Payments* in Pub. 575. The 10% additional tax on early distributions, discussed later under *What Acts Result in Penalties or Additional Taxes*, doesn't apply.

Keogh plans and rollovers. If you are self-employed, you are generally treated as an employee for rollover purposes. Consequently, if you receive an eligible rollover distribution from a Keogh plan (a qualified plan with at least one self-employed participant), you can roll over all or part of the distribution (including a lump-sum distribution) into a traditional IRA. For information on lump-sum distributions, see *Lump-Sum Distributions* under *Taxation of Nonperiodic Payments* in Pub. 575.

More information. For more information about Keogh plans, see chapter 4 of Pub. 560.

Distribution from a tax-sheltered annuity. If you receive an eligible rollover distribution from a tax-sheltered annuity plan (section 403(b) plan), you can roll it over into a traditional IRA.

Receipt of property other than money. If you receive property other than money, you can sell the property and roll over the proceeds as discussed earlier.

Rollover from bond purchase plan. If you redeem retirement bonds that were distributed to you under a qualified bond purchase plan, you can roll over tax free into a traditional IRA the part of the amount you receive that is more than your basis in the retirement bonds.

Reporting rollovers from employer plans. Enter the total distribution (before income tax or other deductions were withheld) on Form 1040 or 1040-SR, line 4c; or Form 1040-NR, line 17a. This amount should be shown in box 1 of Form 1099-R. From this amount, subtract any contributions (usually shown in box 5 of Form 1099-R) that were taxable to you when made. From that result, subtract the amount that was rolled over either directly or within 60 days of receiving the distribution. Enter the remaining amount, even if zero, on Form 1040 or 1040-SR, line 4d; or Form 1040-NR, line 17b. Also, enter "Rollover" next to line 4d of Form 1040 or 1040-SR; or line 17b of Form 1040-NR.

Rollover of Airline Payments

If you are a qualified airline employee (defined below) and you received any airline payment(s) (defined below), you may be able to exclude from income a portion of any payment(s) received that are rolled over to a traditional IRA. The maximum amount that can be rolled over to a traditional IRA is 90% of the total airline payment(s) received. The rollover to a traditional IRA **must** be done within 180 days of receipt of the airline payment.

For 2019, report any airline payment(s) you received in income on Form 1040, 1040-SR, or 1040-NR. For example, if you received a Form W-2 with airline payment amounts reported in box 1, the full amount should be included on Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 8. Up to 90% of all airline payment(s) received may be excluded from income if rolled over to a traditional IRA. To exclude these airline payment rollover amounts for 2019, you must include the amount rolled over on Schedule 1 (Form 1040 or 1040-SR), line 8; or Form 1040-NR, line 21, as a negative amount and write "airline payment" on the dotted line next to line 8 or line 21, respectively.

Example. John, a qualified airline employee, received an airline payment in the amount of $1,000 on January 14, 2019. John rolled over $900 (90%) of the airline payment received to a traditional IRA on March 18, 2019 (within 180 days of receipt). John received a Form W-2 for 2019 with $1,000 reported in box 1 (amount of airline payment). The $1,000 airline payment received (Form W-2, box 1) is reported on Form 1040 or 1040-SR , line 1. The $900 rollover is reported as a negative amount on Schedule 1

(Form 1040 or 1040-SR), line 8. John must also write "airline payment" on the dotted line next to line 8.

Amending a return. If you are excluding airline payments from gross income for an earlier year, you will need to file Form 1040-X, Amended U.S. Individual Income Tax Return, for the tax year(s) in which the airline payments were received and included in your gross income. You generally must file your amended return by the later of 3 years after the date you filed your original return or within 2 years after the date you paid the tax.

For more details on filing Form 1040-X to exclude airline payments from gross income, go to *IRS.gov/Form1040-X*.

Qualified airline employee. A current or former employee of a commercial airline carrier who was a participant in a qualified defined benefit plan maintained by the carrier which was terminated became subject to restrictions under section 402(b) of the Pension Protection Act of 2006, or was frozen effective November 1, 2012. These provisions also apply to surviving spouses of qualified airline employees but don't apply to covered executives or to surviving spouses of covered executives.

Covered executives. A current or former principal executive officer (PEO) or one of the three highest compensated officers (other than the PEO and principal financial officer (PFO). The term "covered executives" generally doesn't include the PFO.

Airline payment. An airline payment is any payment of money or other property that is paid to a qualified airline employee from a commercial airline carrier. The payment also must be made both:

- Under the approval of an order of a federal bankruptcy court in a case filed after September 11, 2001, and before January 1, 2007, or filed on November 29, 2011;
- In respect of the qualified airline employee's interest in a bankruptcy claim against the airline carrier, any note of the carrier (or amount paid in lieu of a note being issued), or any other fixed obligation of the carrier to pay a lump-sum amount.

Any reduction in the airline payment amount on account of employment taxes shall be disregarded when figuring the amount you can roll over to your traditional IRA. Also, an airline payment shall not include any amount payable on the basis of the airline carrier's future earnings or profits.

Rollover of Exxon Valdez Settlement Income

If you are a qualified taxpayer (defined later) and you received qualified settlement income (defined later), you can contribute all or part of the amount received to an eligible retirement plan which includes a traditional IRA. The amount contributed can't exceed $100,000 (reduced by the amount of qualified settlement income contributed to an eligible retirement plan in prior tax years) or the amount of qualified settlement income received during the tax year. Contributions for the year can be made until the due date for filing your return, not including extensions.

Qualified settlement income that you contribute to a traditional IRA will be treated as having been rolled over in a direct trustee-to-trustee transfer within 60 days of the distribution. The amount contributed isn't included in your income at the time of the contributions and isn't considered to be investment in the contract. Also, the 1-year waiting period between rollovers doesn't apply.

Qualified taxpayer. You are a qualified taxpayer if you are:

- A plaintiff in the civil action *In re Exxon Valdez*, No. 89-095-CV (HRH) (Consolidated) (D.Alaska);
- The beneficiary of the estate of a plaintiff who acquired the right to receive qualified settlement income and who is the spouse or immediate relative of that plaintiff.

Qualified settlement income. Qualified settlement income is any interest and punitive damage awards which are:

- Otherwise includible in income; and
- Received in connection with the civil action *In re Exxon Valdez*, No. 89-095-CV (HRH) (Consolidated) (D.Alaska) (whether pre- or post-judgment and whether related to a settlement or judgment).

Qualified settlement income can be received as periodic payments or as a lump sum. See *Miscellaneous Income* in Pub. 525, Taxable and Nontaxable Income, for information on how to report qualified settlement income.

Transfers Incident to Divorce

If an interest in a traditional IRA is transferred from your spouse or former spouse to you by a divorce or separate maintenance decree or a written document related to such a decree, the interest in the IRA, starting from the date of the transfer, is treated as your IRA. The transfer is tax free. For information about transfers of interests in employer plans, see Distributions under divorce or similar proceedings (alternate payees) under *Rollover From Employer's Plan Into an IRA,* earlier.

Transfer methods. There are two commonly used methods of transferring IRA assets to a spouse or former spouse. The methods are:

- Changing the name on the IRA, and
- Making a direct transfer of IRA assets.

Changing the name on the IRA. If all the assets are to be transferred, you can make the transfer by changing the name on the IRA from your name to the name of your spouse or former spouse.

Direct transfer. Under this method, you direct the trustee of the traditional IRA to transfer the affected assets directly to the trustee of a new or existing traditional IRA set up in the name of your spouse or former spouse.

If your spouse or former spouse is allowed to keep his or her portion of the IRA assets in your existing IRA, you can direct the trustee to transfer the assets you are permitted to keep directly to a new or existing traditional IRA set up in your name. The name on the IRA containing your spouse's or former spouse's portion of the assets would then be changed to show his or her ownership.

CAUTION *If the transfer results in a change in the basis of the traditional IRA of either spouse, both spouses must file Form 8606 and follow the directions in the instructions for that form.*

Converting From Any Traditional IRA Into a Roth IRA

Allowable conversions. You can withdraw all or part of the assets from a traditional IRA and reinvest them (within 60 days) in a Roth IRA. The amount that you withdraw and timely contribute (convert) to the Roth IRA is called a conversion contribution. If properly (and timely) rolled over, the 10% additional tax on early distributions won't apply. However, a part or all of the distribution from your traditional IRA may be included in gross income and subjected to ordinary income tax.

You must roll over into the Roth IRA the same property you received from the traditional IRA. You can roll over part of the withdrawal into a Roth IRA and keep the rest of it. The amount you keep will generally be taxable (except for the part that is a return of nondeductible contributions) and may be subject to the 10% additional tax on early distributions. See When Can You Withdraw or Use Assets, later, for more information on distributions from traditional IRAs and *Early Distributions* in Pub. 590-B for more information on the tax on early distributions.

Periodic distributions. If you started taking substantially equal periodic payments from a traditional IRA, you can convert the amounts in the traditional IRA to a Roth IRA and then continue the periodic payments. The 10% additional tax on early distributions won't apply even if the distributions aren't qualified distributions (as long as they are part of a series of substantially equal periodic payments).

Required distributions. You can't convert amounts that must be distributed from your traditional IRA for a particular year (including the calendar year in which you reach age $70^{1}/_{2}$) under the required distribution rules (discussed in Pub. 590-B).

Income. You must include in your gross income distributions from a traditional IRA that you would have had to include in income if you hadn't converted them into a Roth IRA. These amounts are normally included in income on your return for the year that you converted them from a traditional IRA to a Roth IRA.

You don't include in gross income any part of a distribution from a traditional IRA that is a return of your basis, as discussed under *Are Distributions Taxable* in Pub. 590-B.

CAUTION *If you must include any amount in your gross income, you may have to increase your withholding or make estimated tax payments. See Pub. 505, Tax Withholding and Estimated Tax.*

Recharacterizations

You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution.

To recharacterize a contribution, you generally must have the contribution transferred from the first IRA (the one to which it was made) to the second IRA in a trustee-to-trustee transfer. If the transfer is made by the due date (including extensions) for your tax return for the tax year for which the contribution was made, you can elect to treat the contribution as having been originally made to the second IRA instead of to the first IRA. If you recharacterize your contribution, you must do all three of the following.

- Include in the transfer any net income allocable to the contribution. If there was a loss, the net income you must transfer may be a negative amount.
- Report the recharacterization on your tax return for the year during which the contribution was made.
- Treat the contribution as having been made to the second IRA on the date that it was actually made to the first IRA.

No recharacterizations of conversions made in 2018 or later. A conversion of a traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, made in tax years beginning after December 31, 2017, cannot be recharacterized as having been made to a traditional IRA. If you made a conversion in the 2017 tax year, you have until the due date (with extensions) for filing the return for that tax year to recharacterize it.

No deduction allowed. You can't deduct the contribution to the first IRA. Any net income you transfer with the recharacterized contribution is treated as earned in the second IRA. The contribution won't be treated as having been made to the second IRA to the extent any deduction was allowed for the contribution to the first IRA.

Conversion by rollover from traditional to Roth IRA. You receive a distribution from a traditional IRA in 1 tax year. You then roll it over into a Roth IRA within 60 days of the distribution from the traditional IRA but in the next year. For recharacterization purposes, you would treat this transaction as a contribution to the Roth IRA in the year of the distribution from the traditional IRA.

Effect of previous tax-free transfers. If an amount has been moved from one IRA to another in a tax-free transfer, such as a rollover, you generally can't recharacterize the amount that was transferred. However, see Traditional IRA mistakenly moved to SIMPLE IRA below.

Worksheet 1-3. **Determining the Amount of Net Income Due to an IRA Contribution and Total Amount to be Recharacterized**

Keep for Your Records

1.	Enter the amount of your IRA contribution for 2020 to be recharacterized	**1.**	
2.	Enter the fair market value of the IRA immediately prior to the recharacterization (include any distributions, transfers, or recharacterization made while the contribution was in the account)	**2.**	
3.	Enter the fair market value of the IRA immediately prior to the time the contribution being recharacterized was made, including the amount of such contribution and any other contributions, transfers, or recharacterizations made while the contribution was in the account	**3.**	
4.	Subtract line 3 from line 2	**4.**	
5.	Divide line 4 by line 3. Enter the result as a decimal (rounded to at least three places)	**5.**	
6.	Multiply line 1 by line 5. This is the net income attributable to the contribution to be recharacterized	**6.**	
7.	Add lines 1 and 6. This is the amount of the IRA contribution plus the net income attributable to it to be recharacterized	**7.**	

Traditional IRA mistakenly moved to SIMPLE IRA. If you mistakenly roll over or transfer an amount from a traditional IRA to a SIMPLE IRA, you can later recharacterize the amount as a contribution to another traditional IRA.

Recharacterizing excess contributions. You can recharacterize only actual contributions. If you are applying excess contributions for prior years as current contributions, you can recharacterize them only if the recharacterization would still be timely with respect to the tax year for which the applied contributions were actually made.

Example. You contributed more than you were entitled to in 2019. You can't recharacterize the excess contributions you made in 2019 after April 15, 2020, because contributions after that date are no longer timely for 2019.

Recharacterizing employer contributions. You can't recharacterize employer contributions (including elective deferrals) under a SEP or SIMPLE plan as contributions to another IRA. SEPs are discussed in chapter 2 of Pub. 560. SIMPLE plans are discussed in chapter 3 of Pub. 560.

Recharacterization not counted as rollover. The recharacterization of a contribution is not treated as a rollover for purposes of the 1-year waiting period described earlier in this chapter under *Rollover From One IRA Into Another*. This is true even if the contribution would have been treated as a rollover contribution by the second IRA if it had been made directly to the second IRA rather than as a result of a recharacterization of a contribution to the first IRA.

How Do You Recharacterize a Contribution?

To recharacterize a contribution, you must notify both the trustee of the first IRA (the one to which the contribution was actually made) and the trustee of the second IRA (the one to which the contribution is being moved) that you have elected to treat the contribution as having been made to the second IRA rather than the first. You must make the notifications by the date of the transfer. Only one notification is required if both IRAs are maintained by the same trustee. The notification(s) must include all of the following information.

- The type and amount of the contribution to the first IRA that is to be recharacterized.
- The date on which the contribution was made to the first IRA and the year for which it was made.
- A direction to the trustee of the first IRA to transfer in a trustee-to-trustee transfer the amount of the contribution and any net income (or loss) allocable to the contribution to the trustee of the second IRA.
- The name of the trustee of the first IRA and the name of the trustee of the second IRA.
- Any additional information needed to make the transfer.

In most cases, the net income you must transfer is determined by your IRA trustee or custodian. If you need to determine the applicable net income on IRA contributions made after 2019 that are recharacterized, use Worksheet 1-3. See Regulations section 1.408A-5 for more information.

Timing. The election to recharacterize and the transfer must both take place on or before the due date (including extensions) for filing your tax return for the tax year for which the contribution was made to the first IRA.

Extension. Ordinarily, you must choose to recharacterize a contribution by the due date of the return or the due date plus extensions. However, if you miss this deadline, you can still recharacterize a contribution if:

- Your return was timely filed for the year the choice should have been made, and
- You take appropriate corrective action within 6 months from the due date of your return excluding extensions. For returns due April 15, 2020, this period ends on October 15, 2020. When the date for doing any act for

tax purposes falls on a Saturday, Sunday, or legal holiday, the due date is delayed until the next business day.

Appropriate corrective action consists of:

- Notifying the trustee(s) of your intent to recharacterize,
- Providing the trustee with all necessary information, and
- Having the trustee transfer the contribution.

Once this is done, you must amend your return to show the recharacterization. You have until the regular due date for amending a return to do this. Report the recharacterization on the amended return and write "Filed pursuant to section 301.9100-2" on the return. File the amended return at the same address you filed the original return.

Decedent. The election to recharacterize can be made on behalf of a deceased IRA owner by the executor, administrator, or other person responsible for filing the decedent's final income tax return.

Election can't be changed. After the transfer has taken place, you can't change your election to recharacterize.

Same trustee. Recharacterizations made with the same trustee can be made by redesignating the first IRA as the second IRA, rather than transferring the account balance.

Reporting a Recharacterization

If you elect to recharacterize a contribution to one IRA as a contribution to another IRA, you must report the recharacterization on your tax return as directed by Form 8606 and its instructions. You must treat the contribution as having been made to the second IRA.

More than one IRA. If you have more than one IRA, figure the amount to be recharacterized only on the account from which you withdraw the contribution.

When Can You Withdraw or Use Assets?

You can withdraw or use your traditional IRA assets at any time. However, a 10% additional tax generally applies if you withdraw or use IRA assets before you are age $59^1/_2$. This is explained under *Age $59^1/_2$ Rule* under *Early Distributions* in Pub. 590-B.

You generally can make a tax-free withdrawal of contributions if you do it before the due date for filing your tax return for the year in which you made them. This means that, even if you are under age $59^1/_2$, the 10% additional tax may not apply. These withdrawals are explained later.

Contributions Returned Before Due Date of Return

If you made IRA contributions in 2019, you can withdraw them tax free by the due date of your return. If you have an extension of time to file your return, you can withdraw them tax free by the extended due date. You can do this if, for each contribution you withdraw, both of the following conditions apply.

- You didn't take a deduction for the contribution.
- You withdraw any interest or other income earned on the contribution. You can take into account any loss on the contribution while it was in the IRA when calculating the amount that must be withdrawn. If there was a loss, the net income earned on the contribution may be a negative amount.

Note. If you timely filed your 2019 tax return without withdrawing a contribution that you made in 2019, you can still have the contribution returned to you within 6 months of the due date of your 2019 tax return, excluding extensions. If you do, file an amended return with "Filed pursuant to section 301.9100-2" written at the top. Report any related earnings on the amended return and include an explanation of the withdrawal. Make any other necessary changes on the amended return (for example, if you reported the contributions as excess contributions on your original return, include an amended Form 5329 reflecting that the withdrawn contributions are no longer treated as having been contributed).

In most cases, the net income you must withdraw is determined by the IRA trustee or custodian. If you need to determine the applicable net income on IRA contributions made after 2019 that are returned to you, use Worksheet 1-4. See Regulations section 1.408-11 for more information.

Example. On May 2, 2020, when her IRA is worth $4,800, Cathy makes a $1,600 regular contribution to her IRA. Cathy requests that $400 of the May 2, 2020, contribution be returned to her. On February 2, 2021, when the IRA is worth $7,600, the IRA trustee distributes to Cathy the $400 plus net income attributable to the contribution. No other contributions have been made to the IRA for 2020 and no distributions have been made.

The adjusted opening balance is $6,400 ($4,800 + $1,600) and the adjusted closing balance is $7,600. The net income due to the May 2, 2020, contribution is $75 ($400 x ($7,600 − $6,400) ÷ $6,400). Therefore, the total to be distributed on February 2, 2021, is $475. This is shown on Worksheet 1-4. Example—Illustrated.

Last-in first-out rule. If you made more than one regular contribution for the year, your last contribution is considered to be the one that is returned to you first.

Earnings Includible in Income

You must include in income any earnings on the contributions you withdraw. Include the earnings in income for the year in which you made the contributions, not the year in which you withdraw them.

CAUTION *Generally, except for any part of a withdrawal that is a return of nondeductible contributions (basis), any withdrawal of your contributions after the due date (or extended due date) of your return will be treated as a taxable distribution. Excess contributions can also be recovered tax free as discussed under What Acts Result in Penalties or Additional Taxes, later.*

Early Distributions Tax

The 10% additional tax on distributions made before you reach age 59$^1/_2$ doesn't apply to these tax-free withdrawals of your contributions. However, the distribution of interest or other income must be reported on Form 5329 and, unless the distribution qualifies as an exception to the age 59$^1/_2$ rule, it will be subject to this tax. See *Early Distributions* under *What Acts Result in Penalties or Additional Taxes?* in Pub. 590-B.

Excess Contributions Tax

If any part of these contributions is an excess contribution for 2018, it is subject to a 6% excise tax. You won't have to pay the 6% tax if any 2018 excess contribution was withdrawn by April 17, 2019 (plus extensions), and if any 2019 excess contribution is withdrawn by April 15, 2020 (plus extensions). See Excess Contributions under What Acts Result in Penalties or Additional Taxes, later.

TIP *You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution. See Recharacterizations, earlier, for more information.*

Worksheet 1-4. Determining the Amount of Net Income Due to an IRA Contribution and Total Amount to be Withdrawn From the IRA

Keep for Your Records

1.	Enter the amount of your IRA contribution for 2020 to be returned to you	1.	
2.	Enter the fair market value of the IRA immediately prior to the removal of the contribution, plus the amount of any distributions, transfers, and recharacterizations made while the contribution was in the IRA	2.	
3.	Enter the fair market value of the IRA immediately before the contribution was made, plus the amount of such contribution and any other contributions, transfers, and recharacterizations made while the contribution was in the IRA	3.	
4.	Subtract line 3 from line 2	4.	
5.	Divide line 4 by line 3. Enter the result as a decimal (rounded to at least three places)	5.	
6.	Multiply line 1 by line 5. This is the net income attributable to the contribution to be returned	6.	
7.	Add lines 1 and 6. This is the amount of the IRA contribution plus the net income attributable to it to be returned to you	7.	

Worksheet 1-4. Example—Illustrated

Keep for Your Records

1.	Enter the amount of your IRA contribution for 2020 to be returned to you	1.	400
2.	Enter the fair market value of the IRA immediately prior to the removal of the contribution, plus the amount of any distributions, transfers, and recharacterizations made while the contribution was in the IRA	2.	7,600
3.	Enter the fair market value of the IRA immediately before the contribution was made, plus the amount of such contribution and any other contributions, transfers, and recharacterizations made while the contribution was in the IRA	3.	6,400
4.	Subtract line 3 from line 2	4.	1,200
5.	Divide line 4 by line 3. Enter the result as a decimal (rounded to at least three places)	5.	0.1875
6.	Multiply line 1 by line 5. This is the net income attributable to the contribution to be returned	6.	75
7.	Add lines 1 and 6. This is the amount of the IRA contribution plus the net income attributable to it to be returned to you	7.	475

What Acts Result in Penalties or Additional Taxes?

The tax advantages of using traditional IRAs for retirement savings can be offset by additional taxes and penalties if you don't follow the rules. There are additions to the regular tax for using your IRA funds in prohibited transactions. There are also additional taxes for the following activities.

- Investing in collectibles.
- Making excess contributions.
- Taking early distributions. See Pub. 590-B.
- Allowing excess amounts to accumulate (failing to take required distributions). See Pub. 590-B.
- Having unrelated business income.

There are penalties for overstating the amount of nondeductible contributions and for failure to file Form 8606, if required.

This chapter discusses those acts that you should avoid and the additional taxes and other costs, including loss of IRA status, that apply if you don't avoid those acts.

Prohibited Transactions

Generally, a prohibited transaction is any improper use of your traditional IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are some examples of prohibited transactions with a traditional IRA.

- Borrowing money from it.
- Selling property to it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.

CAUTION *If your IRA is invested in nonpublicly traded assets or assets that you directly control, the risk of engaging in a prohibited transaction in connection with your account may be increased.*

Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your IRA or exercises any authority or control in managing or disposing of its assets.
- Provides investment advice to your IRA for a fee, or has any authority or responsibility to do so.
- Has any discretionary authority or discretionary responsibility in administering your IRA.

Effect on an IRA account. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your traditional IRA account at any time during the year, the account stops being an IRA as of the first day of that year.

Effect on you or your beneficiary. If your account stops being an IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than your basis in the IRA, you will have a taxable gain that is includible in your income. For information on figuring your gain and reporting it in income, see *Are Distributions Taxable* in Pub. 590-B. The distribution may be subject to additional taxes or penalties.

Borrowing on an annuity contract. If you borrow money against your traditional IRA annuity contract, you must include in your gross income the fair market value of the annuity contract as of the first day of your tax year. You may have to pay the 10% additional tax on early distributions discussed in Pub. 590-B.

Pledging an account as security. If you use a part of your traditional IRA account as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions discussed in Pub. 590-B.

Trust account set up by an employer or an employee association. Your account or annuity doesn't lose its IRA treatment if your employer or the employee association with whom you have your traditional IRA engages in a prohibited transaction.

Owner participation. If you participate in the prohibited transaction with your employer or the association, your account is no longer treated as an IRA.

Taxes on prohibited transactions. If someone other than the owner or beneficiary of a traditional IRA engages in a prohibited transaction, that person may be liable for certain taxes. In general, there is a 15% tax on the amount of the prohibited transaction and a 100% additional tax if the transaction isn't corrected.

Loss of IRA status. If the traditional IRA ceases to be an IRA because of a prohibited transaction by you or your beneficiary, you or your beneficiary aren't liable for these excise taxes. However, you or your beneficiary may have to pay other taxes as discussed under Effect on you or your beneficiary, earlier.

Exempt Transactions

The following two types of transactions aren't prohibited transactions if they meet the requirements that follow.

- Payments of cash, property, or other consideration by the sponsor of your traditional IRA to you (or members of your family).

- Your receipt of services at reduced or no cost from the bank where your traditional IRA is established or maintained.

Payments of cash, property, or other consideration. Even if a sponsor makes payments to you or your family, there is no prohibited transaction if all three of the following requirements are met.

1. The payments are for establishing a traditional IRA or for making additional contributions to it.
2. The IRA is established solely to benefit you, your spouse, and your or your spouse's beneficiaries.
3. During the year, the total fair market value of the payments you receive isn't more than:
   a. $10 for IRA deposits of less than $5,000, or
   b. $20 for IRA deposits of $5,000 or more.

If the consideration is group term life insurance, requirements (1) and (3) don't apply if no more than $5,000 of the face value of the insurance is based on a dollar-for-dollar basis on the assets in your IRA.

Services received at reduced or no cost. Even if a sponsor provides services at reduced or no cost, there is no prohibited transaction if all of the following requirements are met.

- The traditional IRA qualifying you to receive the services is established and maintained for the benefit of you, your spouse, and your or your spouse's beneficiaries.
- The bank itself can legally offer the services.
- The services are provided in the ordinary course of business by the bank (or a bank affiliate) to customers who qualify but don't maintain an IRA (or a Keogh plan).
- The determination, for a traditional IRA, of who qualifies for these services is based on an IRA (or a Keogh plan) deposit balance equal to the lowest qualifying balance for any other type of account.
- The rate of return on a traditional IRA investment that qualifies isn't less than the return on an identical investment that could have been made at the same time at the same branch of the bank by a customer who isn't eligible for (or doesn't receive) these services.

Investment in Collectibles

If your traditional IRA invests in collectibles, the amount invested is considered distributed to you in the year invested. You may have to pay the 10% additional tax on early distributions discussed in Pub. 590-B.

Any amounts that were considered to be distributed when the investment in the collectible was made, and which were included in your income at that time, aren't included in your income when the collectible is actually distributed from your IRA.

Collectibles. These include:

- Artworks,
- Rugs,
- Antiques,
- Metals,
- Gems,
- Stamps,
- Coins,
- Alcoholic beverages, and
- Certain other tangible personal property.

Exception. Your IRA can invest in one, one-half, one-quarter, or one-tenth ounce U.S. gold coins, or one-ounce silver coins minted by the Treasury Department. It can also invest in certain platinum coins and certain gold, silver, palladium, and platinum bullion.

Unrelated Business Income

An IRA is subject to tax on unrelated business income if it carries on an unrelated trade or business. An unrelated trade or business means any trade or business regularly carried on by the IRA or by a partnership of which it is a member. If the IRA has $1,000 or more of unrelated trade or business gross income, the IRA trustee is required to file a Form 990-T, Exempt Organization Business Income Tax Return. The Form 990-T must be filed by the 15th day of the 4th month after the end of the IRA's tax year. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, for more information.

Excess Contributions

Generally, an excess contribution is the amount contributed to your traditional IRAs for the year that is more than the smaller of:

- $6,000 ($7,000 if you are age 50 or older), or
- Your taxable compensation for the year.

The taxable compensation limit applies whether your contributions are deductible or nondeductible.

Contributions for the year you reach age 70$^{1}/_{2}$ and any later year are also excess contributions.

An excess contribution could be the result of your contribution, your spouse's contribution, your employer's contribution, or an improper rollover contribution. If your employer makes contributions on your behalf to a SEP IRA, see chapter 2 of Pub. 560.

Tax on Excess Contributions

In general, if the excess contributions for a year aren't withdrawn by the date your return for the year is due (including extensions), you are subject to a 6% tax. You must pay the 6% tax each year on excess amounts that remain in your traditional IRA at the end of your tax year.

The tax can't be more than 6% of the combined value of all your IRAs as of the end of your tax year.

The additional tax is figured on Form 5329. For information on filing Form 5329, see *Reporting Additional Taxes*, later.

Example. For 2019, Paul Jones is 45 years old and single, his compensation is $31,000, and he contributed $6,500 to his traditional IRA. Paul has made an excess contribution to his IRA of $500 ($6,500 minus the $6,000 limit). The contribution earned $5 interest in 2019 and $6 interest in 2020 before the due date of the return, including extensions. He doesn't withdraw the $500 or the interest it earned by the due date of his return, including extensions.

Paul figures his additional tax for 2019 by multiplying the excess contribution ($500) shown on Form 5329, line 16, by 0.06, giving him an additional tax liability of $30. He enters the tax on Form 5329, line 17, and on Schedule 2 (Form 1040 or 1040-SR), line 6. See Paul's filled-in Form 5329, later.

Excess Contributions Withdrawn by Due Date of Return

You won't have to pay the 6% tax if you withdraw an excess contribution made during a tax year and you also withdraw any interest or other income earned on the excess contribution. You must complete your withdrawal by the date your tax return for that year is due, including extensions.

How to treat withdrawn contributions. Don't include in your gross income an excess contribution that you withdraw from your traditional IRA before your tax return is due if both of the following conditions are met.

- No deduction was allowed for the excess contribution.
- You withdraw the interest or other income earned on the excess contribution.

You can take into account any loss on the contribution while it was in the IRA when calculating the amount that must be withdrawn. If there was a loss, the net income you must withdraw may be a negative amount.

In most cases, the net income you must transfer will be determined by your IRA trustee or custodian. If you need to determine the applicable net income you need to withdraw, you can use the same method that was used in Worksheet 1-3.

If you timely filed your 2019 tax return without withdrawing a contribution that you made in 2019, you can still have the contribution returned to you within 6 months of the due date of your 2019 tax return, excluding extensions. If you do, file an amended return with "Filed pursuant to section 301.9100-2" written at the top. Report any related earnings on the amended return and include an explanation of the withdrawal. Make any other necessary changes on the amended return (for example, if you reported the contributions as excess contributions on your original return, include an amended Form 5329 reflecting that the withdrawn contributions are no longer treated as having been contributed).

How to treat withdrawn interest or other income. You must include in your gross income the interest or other income that was earned on the excess contribution. Report it on your return for the year in which the excess contribution was made. Your withdrawal of interest or other income may be subject to an additional 10% tax on early distributions discussed in Pub. 590-B.

Form 1099-R. You will receive Form 1099-R indicating the amount of the withdrawal. If the excess contribution was made in a previous tax year, the form will indicate the year in which the earnings are taxable.

Example. Maria, age 35, made an excess contribution in 2019 of $1,000, which she withdrew by April 15, 2020, the due date of her return. At the same time, she also withdrew the $50 income that was earned on the $1,000. She must include the $50 in her gross income for 2019 (the year in which the excess contribution was made). She must also pay an additional tax of $5 (the 10% additional tax on early distributions because she isn't yet 59½ years old), but she doesn't have to report the excess contribution as income or pay the 6% excise tax. Maria receives a Form 1099-R showing that the earnings are taxable for 2019.

Excess Contributions Withdrawn After Due Date of Return

In general, you must include all distributions (withdrawals) from your traditional IRA in your gross income. However, if the following conditions are met, you can withdraw excess contributions from your IRA and not include the amount withdrawn in your gross income.

- Total contributions (other than rollover contributions) for 2019 to your IRA weren't more than $6,000 ($7,000 if you are age 50 or older).
- You didn't take a deduction for the excess contribution being withdrawn.

The withdrawal can take place at any time, even after the due date, including extensions, for filing your tax return for the year.

Excess contribution deducted in an earlier year. If you deducted an excess contribution in an earlier year for which the total contributions weren't more than the maximum deductible amount for that year (see the following table), you can still remove the excess from your traditional IRA and not include it in your gross income. To do this, file Form 1040-X for that year and don't deduct the excess contribution on the amended return. Generally, you can file an amended return within 3 years after you filed your return, or 2 years from the time the tax was paid, whichever is later.

Year(s)	Contribution limit	Contribution limit if age 50 or older at the end of the year
2013 through 2018	$5,500	$6,500
2008 through 2012	$5,000	$6,000
2006 or 2007	$4,000	$5,000
2005	$4,000	$4,500
2002 through 2004	$3,000	$3,500
1997 through 2001	$2,000	—
before 1997	$2,250	—

Excess due to incorrect rollover information. If an excess contribution in your traditional IRA is the result of a rollover and the excess occurred because the information the plan was required to give you was incorrect, you can withdraw the excess contribution. The limits mentioned above are increased by the amount of the excess that is due to the incorrect information. You will have to amend your return for the year in which the excess occurred to correct the reporting of the rollover amounts in that year. Don't include in your gross income the part of the excess contribution caused by the incorrect information.

Deducting an Excess Contribution in a Later Year

You can't apply an excess contribution to an earlier year even if you contributed less than the maximum amount allowable for the earlier year. However, you may be able to apply it to a later year if the contributions for that later year are less than the maximum allowed for that year.

You can deduct excess contributions for previous years that are still in your traditional IRA. The amount you can deduct this year is the lesser of the following two amounts.

- Your maximum IRA deduction for this year minus any amounts contributed to your traditional IRAs for this year.
- The total excess contributions in your IRAs at the beginning of this year.

This method lets you avoid making a withdrawal. It doesn't, however, let you avoid the 6% tax on any excess contributions remaining at the end of a tax year.

To figure the amount of excess contributions for previous years that you can deduct this year, see Worksheet 1-5.

Worksheet 1-5. **Excess Contributions Deductible This Year**

Use this worksheet to figure the amount of excess contributions from prior years you can deduct this year.

1. Maximum IRA deduction for the current year	**1.**	
2. IRA contributions for the current year	**2.**	
3. Subtract line 2 from line 1. If zero or less, enter -0-	**3.**	
4. Excess contributions in IRA at beginning of year	**4.**	
5. Enter the lesser of line 3 or line 4. This is the amount of excess contributions for previous years that you can deduct this year	**5.**	

Example. Teri was entitled to contribute to her traditional IRA and deduct $1,000 in 2018 and $1,500 in 2019 (the amounts of her taxable compensation for these years). For 2018, she actually contributed $1,400 but could deduct only $1,000. In 2018, $400 is an excess contribution subject to the 6% tax. However, she wouldn't have to pay the 6% tax if she withdrew the excess (including any earnings) before the due date of her 2018 return. Because Teri didn't withdraw the excess, she owes excise tax of $24 for 2018. To avoid the excise tax for 2019, she can correct the $400 excess amount from 2018 in 2019 if her actual contributions are only $1,100 for 2019 (the allowable deductible contribution of $1,500 minus the $400 excess from 2018 she wants to treat as a deductible contribution in 2019). Teri can deduct $1,500 in 2019 (the $1,100 actually contributed plus the $400 excess contribution from 2018). This is shown on Worksheet 1-5. Example—Illustrated.

Worksheet 1-5. **Example—Illustrated**

Use this worksheet to figure the amount of excess contributions from prior years you can deduct this year.

1. Maximum IRA deduction for the current year	**1.**	1,500
2. IRA contributions for the current year	**2.**	1,100
3. Subtract line 2 from line 1. If zero or less, enter -0-	**3.**	400
4. Excess contributions in IRA at beginning of year	**4.**	400
5. Enter the lesser of line 3 or line 4. This is the amount of excess contributions for previous years that you can deduct this year	**5.**	400

Form **5329**
(Rev. January 2020)
Department of the Treasury
Internal Revenue Service (99)

Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to *www.irs.gov/Form5329* for instructions and the latest information.

OMB No. 1545-0074
2019
Attachment Sequence No. **29**

Name of individual subject to additional tax. If married filing jointly, see instructions.	Your social security number
Paul Jones	003-00-0000

Fill in Your Address Only if You Are Filing This Form by Itself and Not With Your Tax Return ▶

Home address (number and street), or P.O. box if mail is not delivered to your home		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below. See instructions.		If this is an amended return, check here ▶ ☐
Foreign country name	Foreign province/state/county	Foreign postal code

If you **only** owe the additional 10% tax on early distributions, you may be able to report this tax directly on Schedule 2 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 57, without filing Form 5329. See the instructions for Schedule 2 (Form 1040 or 1040-SR), line 6, or for Form 1040-NR, line 57.

Part I **Additional Tax on Early Distributions.** Complete this part if you took a taxable distribution (other than a qualified disaster distribution) before you reached age 59½ from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040, 1040-SR, or 1040-NR—see above). You also may have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions. See instructions.

1	Early distributions included in income. For Roth IRA distributions, see instructions	1	
2	Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions: ________	2	
3	Amount subject to additional tax. Subtract line 2 from line 1	3	
4	**Additional tax.** Enter 10% (0.10) of line 3. Include this amount on Schedule 2 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 57	4	
	Caution: If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10%. See instructions.		

Part II **Additional Tax on Certain Distributions From Education Accounts and ABLE Accounts.** Complete this part if you included an amount in income, on Schedule 1 (Form 1040 or 1040-SR), line 8, or Form 1040-NR, line 21, from a Coverdell education savings account (ESA), a qualified tuition program (QTP), or an ABLE account.

5	Distributions included in income from a Coverdell ESA, a QTP, or an ABLE account	5	
6	Distributions included on line 5 that are not subject to the additional tax (see instructions)	6	
7	Amount subject to additional tax. Subtract line 6 from line 5	7	
8	**Additional tax.** Enter 10% (0.10) of line 7. Include this amount on Schedule 2 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 57	8	

Part III **Additional Tax on Excess Contributions to Traditional IRAs.** Complete this part if you contributed more to your traditional IRAs for 2019 than is allowable or you had an amount on line 17 of your 2018 Form 5329.

9	Enter your excess contributions from line 16 of your 2018 Form 5329. See instructions. If zero, go to line 15			9	
10	If your traditional IRA contributions for 2019 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10			
11	2019 traditional IRA distributions included in income (see instructions)	11			
12	2019 distributions of prior year excess contributions (see instructions)	12			
13	Add lines 10, 11, and 12			13	
14	Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-			14	
15	Excess contributions for 2019 (see instructions)			15	500
16	Total excess contributions. Add lines 14 and 15			16	500
17	**Additional tax.** Enter 6% (0.06) of the **smaller** of line 16 **or** the value of your traditional IRAs on December 31, 2019 (including 2019 contributions made in 2020). Include this amount on Schedule 2 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 57			17	30

Part IV **Additional Tax on Excess Contributions to Roth IRAs.** Complete this part if you contributed more to your Roth IRAs for 2019 than is allowable or you had an amount on line 25 of your 2018 Form 5329.

18	Enter your excess contributions from line 24 of your 2018 Form 5329. See instructions. If zero, go to line 23			18	
19	If your Roth IRA contributions for 2019 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19			
20	2019 distributions from your Roth IRAs (see instructions)	20			
21	Add lines 19 and 20			21	
22	Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-			22	
23	Excess contributions for 2019 (see instructions)			23	
24	Total excess contributions. Add lines 22 and 23			24	
25	**Additional tax.** Enter 6% (0.06) of the **smaller** of line 24 **or** the value of your Roth IRAs on December 31, 2019 (including 2019 contributions made in 2020). Include this amount on Schedule 2 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 57			25	

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13329Q Form **5329** (2019)

Closed tax year. A special rule applies if you incorrectly deducted part of the excess contribution in a closed tax year (one for which the period to assess a tax deficiency has expired). The amount allowable as a traditional IRA deduction for a later correction year (the year you contribute less than the allowable amount) must be reduced by the amount of the excess contribution deducted in the closed year.

To figure the amount of excess contributions for previous years that you can deduct this year if you incorrectly deducted part of the excess contribution in a closed tax year, see Worksheet 1-6.

Worksheet 1-6. **Excess Contributions Deductible This Year if Any Were Deducted in a Closed Tax Year**

Use this worksheet to figure the amount of excess contributions for prior years that you can deduct this year if you incorrectly deducted excess contributions in a closed tax year.

1.	Maximum IRA deduction for the current year	**1.** ______
2.	IRA contributions for the current year	**2.** ______
3.	If line 2 is less than line 1, enter any excess contributions that were deducted in a closed tax year. Otherwise, enter -0-	**3.** ______
4.	Subtract line 3 from line 1	**4.** ______
5.	Subtract line 2 from line 4. If zero or less, enter -0-	**5.** ______
6.	Excess contributions in IRA at beginning of year	**6.** ______
7.	Enter the lesser of line 5 or line 6. This is the amount of excess contributions for previous years that you can deduct this year	**7.** ______

Reporting Additional Taxes

Generally, you must use Form 5329 to report the tax on excess contributions, early distributions, and excess accumulations.

Filing a tax return. If you must file an individual income tax return, complete Form 5329 and attach it to your Form 1040, 1040-SR, or 1040-NR. Enter the total additional taxes due on Schedule 2 (Form 1040 or 1040-SR), line 6; or on Form 1040-NR, line 57.

Not filing a tax return. If you don't have to file a return, but do have to pay one of the additional taxes mentioned earlier, file the completed Form 5329 with the IRS at the time and place you would have filed Form 1040, 1040-SR, or 1040-NR. Be sure to include your address on page 1 and your signature and date on page 2. Enclose, but don't attach, a check or money order payable to "United States Treasury" for the tax you owe, as shown on Form 5329. Write your social security number and "2019 Form 5329" on your check or money order.

Form 5329 not required. You don't have to use Form 5329 if either of the following situations exists.

- Distribution code 1 (early distribution) is correctly shown in box 7 of Form 1099-R. If you don't owe any other additional tax on a distribution, multiply the taxable part of the early distribution by 10% and enter the result on Schedule 2 (Form 1040 or 1040-SR), line 6; or on Form 1040-NR, line 57. Enter "No" to the left of the line to indicate that you don't have to file Form 5329. However, if you owe this tax and also owe any other additional tax on a distribution, don't enter this 10% additional tax directly on your Form 1040, 1040-SR, or 1040-NR. You must file Form 5329 to report your additional taxes.
- If you rolled over part or all of a distribution from a qualified retirement plan, the part rolled over isn't subject to the tax on early distributions.

2.

Roth IRAs

Reminders

Deemed IRAs. For plan years beginning after 2002, a qualified employer plan (retirement plan) can maintain a separate account or annuity under the plan (a deemed IRA) to receive voluntary employee contributions. If the separate account or annuity otherwise meets the requirements of an IRA, it will be subject only to IRA rules. An employee's account can be treated as a traditional IRA or a Roth IRA.

For this purpose, a "qualified employer plan" includes:

- A qualified pension, profit-sharing, or stock bonus plan (section 401(a) plan);
- A qualified employee annuity plan (section 403(a) plan);
- A tax-sheltered annuity plan (section 403(b) plan); and
- A deferred compensation plan (section 457 plan) maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state.

Designated Roth accounts. Designated Roth accounts are separate accounts under 401(k), 403(b), or 457(b) plans that accept elective deferrals that are referred to as Roth contributions. These elective deferrals are included in your income, but qualified distributions from these accounts aren't included in your income. Designated Roth accounts aren't IRAs and shouldn't be confused with Roth

IRAs. Contributions, up to their respective limits, can be made to Roth IRAs and designated Roth accounts according to your eligibility to participate. A contribution to one doesn't impact your eligibility to contribute to the other. See Pub. 575 for more information on designated Roth accounts.

Introduction

Regardless of your age, you may be able to establish and make nondeductible contributions to an individual retirement plan called a Roth IRA.

Contributions not reported. You don't report Roth IRA contributions on your return.

What Is a Roth IRA?

A Roth IRA is an individual retirement plan that, except as explained in this chapter, is subject to the rules that apply to a traditional IRA (defined next). It can be either an account or an annuity. Individual retirement accounts and annuities are described in chapter 1 under *How Can a Traditional IRA Be Opened*.

To be a Roth IRA, the account or annuity must be designated as a Roth IRA when it is opened. A deemed IRA can be a Roth IRA, but neither a SEP IRA nor a SIMPLE IRA can be designated as a Roth IRA.

Unlike a traditional IRA, you can't deduct contributions to a Roth IRA. But, if you satisfy the requirements, qualified distributions (discussed in chapter 2 of Pub. 590-B) are tax free. Contributions can be made to your Roth IRA after you reach age 70$^{1}/_{2}$ and you can leave amounts in your Roth IRA as long as you live.

Traditional IRA. A traditional IRA is any IRA that isn't a Roth IRA or SIMPLE IRA. Traditional IRAs are discussed in chapter 1.

When Can a Roth IRA Be Opened?

You can open a Roth IRA at any time. However, the time for making contributions for any year is limited. See *When Can You Make Contributions*, later, under *Can You Contribute to a Roth IRA*.

Can You Contribute to a Roth IRA?

Generally, you can contribute to a Roth IRA if you have taxable compensation (defined later) and your modified AGI (defined later) is less than:

- $203,000 for married filing jointly or qualifying widow(er);
- $137,000 for single, head of household, or married filing separately and you didn't live with your spouse at any time during the year; and
- $10,000 for married filing separately and you lived with your spouse at any time during the year.

TIP *You may be able to claim a credit for contributions to your Roth IRA. For more information, see chapter 3.*

Is there an age limit for contributions? Contributions can be made to your Roth IRA regardless of your age.

Can you contribute to a Roth IRA for your spouse? You can contribute to a Roth IRA for your spouse provided the contributions satisfy the *Kay Bailey Hutchison Spousal IRA limit* discussed in chapter 1 under *How Much Can Be Contributed*, you file jointly, and your modified AGI is less than $203,000.

Compensation. Compensation includes wages, salaries, tips, professional fees, bonuses, and other amounts received for providing personal services. It also includes commissions, self-employment income, nontaxable combat pay, military differential pay, and taxable alimony and separate maintenance payments. For more information, see *What Is Compensation* under *Who Can Open a Traditional IRA?* in chapter 1.

Modified AGI. Your modified AGI for Roth IRA purposes is your adjusted gross income (AGI) as shown on your return with some adjustments. Use Worksheet 2-1 to determine your modified AGI.

CAUTION *Don't subtract conversion income when figuring your other AGI-based phaseouts and taxable income, such as your deduction for medical and dental expenses. Subtract them from AGI only for the purpose of figuring your modified AGI for Roth IRA purposes.*

How Much Can Be Contributed?

The contribution limit for Roth IRAs generally depends on whether contributions are made only to Roth IRAs or to both traditional IRAs and Roth IRAs.

Roth IRAs only. If contributions are made only to Roth IRAs, your contribution limit generally is the lesser of:

- $6,000 ($7,000 if you are age 50 or older), or
- Your taxable compensation.

Worksheet 2-1. **Modified Adjusted Gross Income for Roth IRA Purposes**

Use this worksheet to figure your modified adjusted gross income for Roth IRA purposes.

1.	Enter your adjusted gross income from Form 1040 or 1040-SR, line 8b; or Form 1040-NR, line 35	**1.** ______
2.	Enter any income resulting from the conversion of an IRA (other than a Roth IRA) to a Roth IRA (included on Form 1040 or 1040-SR, line 4b; or Form 1040-NR, line 16b) and a rollover from a qualified retirement plan to a Roth IRA (included on Form 1040 or 1040-SR, line 4d; or Form 1040-NR, line 17b)	**2.** ______
3.	Subtract line 2 from line 1	**3.** ______
4.	Enter any traditional IRA deduction from Schedule 1 (Form 1040 or 1040-SR), line 19; or Form 1040-NR, line 32	**4.** ______
5.	Enter any student loan interest deduction from Schedule 1 (Form 1040 or 1040-SR), line 20; For Form 1040-NR, line 33	**5.** ______
6.	Enter any tuition and fees deduction from Schedule 1 (Form 1040 or 1040-SR), line 21	**6.** ______
7.	Enter any foreign earned income exclusion and/or housing exclusion from Form 2555, line 45	**7.** ______
8.	Enter any foreign housing deduction from Form 2555, line 50	**8.** ______
9.	Enter any excludable qualified savings bond interest from Form 8815, line 14	**9.** ______
10.	Enter any excluded employer-provided adoption benefits from Form 8839, line 28	**10.** ______
11.	Add the amounts on lines 3 through 10	**11.** ______
12.	Enter: • $203,000 if married filing jointly or qualifying widow(er), • $10,000 if married filing separately and you lived with your spouse at any time during the year, or • $137,000 for all others	**12.** ______

Is the amount on line 11 more than the amount on line 12?
If yes, see the *Note* below.
If no, the amount on line 11 is your ***modified adjusted gross income*** for Roth IRA purposes.

Note. If the amount on line 11 is more than the amount on line 12 and you have other income or loss items, such as social security income or passive activity losses, that are subject to AGI-based phaseouts, you can refigure your AGI solely for the purpose of figuring your modified AGI for Roth IRA purposes. (If you receive social security benefits, use Worksheet 1 in *Appendix B* to refigure your AGI.) Then go to line 3 above in this Worksheet 2-1 to refigure your modified AGI. If you don't have other income or loss items subject to AGI-based phaseouts, your modified adjusted gross income for Roth IRA purposes is the amount on line 11 above.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced, as explained later under *Contribution limit reduced*.

Roth IRAs and traditional IRAs. If contributions are made to both Roth IRAs and traditional IRAs established for your benefit, your contribution limit for Roth IRAs generally is the same as your limit would be if contributions were made only to Roth IRAs, but then reduced by all contributions for the year to all IRAs other than Roth IRAs. Employer contributions under a SEP or SIMPLE IRA plan don't affect this limit.

This means that your contribution limit is the lesser of:

- $6,000 ($7,000 if you are age 50 or older) minus all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs, or
- Your taxable compensation minus all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced, as explained later under *Contribution limit reduced*.

Simplified employee pensions (SEPs) and savings incentive match plans for employees (SIMPLEs) are discussed in Pub. 560.

Repayment of reservist distributions. You can repay qualified reservist distributions even if the repayments would cause your total contributions to the Roth IRA to be more than the general limit on contributions. However, the total repayments can't be more than the amount of your distribution.

Note. If you make repayments of qualified reservist distributions to a Roth IRA, increase your basis in the Roth IRA by the amount of the repayment. For more information, see *Qualified reservist repayments* under *How Much Can Be Contributed?* in chapter 1.

Contribution limit reduced. If your modified AGI is above a certain amount, your contribution limit is gradually reduced. Use Table 2-1 to determine if this reduction applies to you.

Figuring the reduction. If the amount you can contribute must be reduced, use Worksheet 2-2 to figure your reduced contribution limit.

TIP *Round your reduced contribution limit up to the nearest $10. If your reduced contribution limit is more than $0, but less than $200, increase the limit to $200.*

Example. You are a 45-year-old, single individual with taxable compensation of $123,000. You want to make the maximum allowable contribution to your Roth IRA for 2019. Your modified AGI for 2019 is $123,000. You haven't contributed to any traditional IRA, so the maximum contribution limit before the modified AGI reduction is $6,000. You figure your reduced Roth IRA contribution of $5,600 as shown on Worksheet 2-2. Example—Illustrated.

Table 2-1. **Effect of Modified AGI on Roth IRA Contribution**

This table shows whether your contribution to a Roth IRA is affected by the amount of your modified adjusted gross income (modified AGI).

IF you have taxable compensation and your filing status is ...	**AND your modified AGI is ...**	**THEN ...**
married filing jointly or **qualifying widow(er)**	less than $193,000	you can contribute up to $6,000 ($7,000 if you are age 50 or older) as explained under *How Much Can Be Contributed*, earlier.
	at least $193,000 but less than $203,000	the amount you can contribute is reduced as explained under *Contribution limit reduced*, earlier.
	$203,000 or more	you can't contribute to a Roth IRA.
married filing separately (and you lived with your spouse at anytime during the year)	zero (-0-)	you can contribute up to $6,000 ($7,000 if you are age 50 or older) as explained under *How Much Can Be Contributed*, earlier.
	more than zero (-0-) but less than $10,000	the amount you can contribute is reduced as explained under *Contribution limit reduced*, earlier.
	$10,000 or more	you can't contribute to a Roth IRA.
single, head of household, or **married filing separately** (and you didn't live with your spouse at any time during the year)	less than $122,000	you can contribute up to $6,000 ($7,000 if you are age 50 or older) as explained under *How Much Can Be Contributed*, earlier.
	at least $122,000 but less than $137,000	the amount you can contribute is reduced as explained under *Contribution limit reduced*, earlier.
	$137,000 or more	you can't contribute to a Roth IRA.

Worksheet 2-2. **Determining Your Reduced Roth IRA Contribution Limit**

Before using this worksheet, check Table 2-1 to determine whether or not your Roth IRA contribution limit is reduced. If it is, use this worksheet to determine how much it is reduced.

1. Enter your modified AGI for Roth IRA purposes (Worksheet 2-1, line 11)	**1.**	
2. Enter: • $193,000 if filing a joint return or qualifying widow(er), • $-0- if married filing a separate return and you lived with your spouse at any time in 2019, or • $122,000 for all others	**2.**	
3. Subtract line 2 from line 1	**3.**	
4. Enter: • $10,000 if filing a joint return or qualifying widow(er) or married filing a separate return and you lived with your spouse at any time during the year, or • $15,000 for all others	**4.**	
5. Divide line 3 by line 4 and enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	**5.**	
6. Enter the lesser of: • $6,000 ($7,000 if you are age 50 or older), or • Your taxable compensation	**6.**	
7. Multiply line 5 by line 6	**7.**	
8. Subtract line 7 from line 6. Round the result up to the nearest $10. If the result is less than $200, enter $200	**8.**	
9. Enter contributions for the year to other IRAs	**9.**	
10. Subtract line 9 from line 6	**10.**	
11. Enter the lesser of line 8 or line 10. This is your **reduced Roth IRA contribution limit**	**11.**	

When Can You Make Contributions?

You can make contributions to a Roth IRA for a year at any time during the year or by the due date of your return for that year (not including extensions).

TIP *You can make contributions for 2019 by the due date (not including extensions) for filing your 2019 tax return. This means that most people can make contributions for 2019 by April 15, 2020.*

What if You Contribute Too Much?

A 6% excise tax applies to any excess contribution to a Roth IRA.

Excess contributions. These are the contributions to your Roth IRAs for a year that equal the total of:

1. Amounts contributed for the tax year to your Roth IRAs (other than amounts properly and timely rolled over from a Roth IRA or properly converted from a traditional IRA or rolled over from a qualified retirement plan, as described later) that are more than your contribution limit for the year (explained earlier under *How Much Can Be Contributed*); plus
2. Any excess contributions for the preceding year, reduced by the total of:
   a. Any distributions out of your Roth IRAs for the year, plus
   b. Your contribution limit for the year minus your contributions to all your IRAs for the year.

Withdrawal of excess contributions. For purposes of determining excess contributions, any contribution that is withdrawn on or before the due date (including extensions) for filing your tax return for the year is treated as an amount not contributed. This treatment only applies if any earnings on the contributions are also withdrawn. The

Worksheet 2-2. **Example—Illustrated**

Before using this worksheet, check Table 2-1 to determine whether or not your Roth IRA contribution limit is reduced. If it is, use this worksheet to determine how much it is reduced.

1. Enter your modified AGI for Roth IRA purposes (Worksheet 2-1, line 11)	**1.**	123,000
2. Enter: • $193,000 if filing a joint return or qualifying widow(er), • $-0- if married filing a separate return and you lived with your spouse at any time in 2019, or • $122,000 for all others	**2.**	122,000
3. Subtract line 2 from line 1	**3.**	1,000
4. Enter: • $10,000 if filing a joint return or qualifying widow(er) or married filing a separate return and you lived with your spouse at any time during the year, or • $15,000 for all others	**4.**	15,000
5. Divide line 3 by line 4 and enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	**5.**	0.067
6. Enter the lesser of: • $6,000 ($7,000 if you are age 50 or older), or • Your taxable compensation	**6.**	6,000
7. Multiply line 5 by line 6	**7.**	402
8. Subtract line 7 from line 6. Round the result up to the nearest $10. If the result is less than $200, enter $200	**8.**	5,600
9. Enter contributions for the year to other IRAs	**9.**	0
10. Subtract line 9 from line 6	**10.**	6,000
11. Enter the lesser of line 8 or line 10. This is your **reduced Roth IRA contribution limit**	**11.**	5,600

earnings are considered earned and received in the year the excess contribution was made.

If you timely filed your 2019 tax return without withdrawing a contribution that you made in 2019, you can still have the contribution returned to you within 6 months of the due date of your 2019 tax return, excluding extensions. If you do, file an amended return with “Filed pursuant to section 301.9100-2” written at the top. Report any related earnings on the amended return and include an explanation of the withdrawal. Make any other necessary changes on the amended return.

Applying excess contributions. If contributions to your Roth IRA for a year were more than the limit, you can apply the excess contribution in 1 year to a later year if the contributions for that later year are less than the maximum allowed for that year.

Can You Move Amounts Into a Roth IRA?

You may be able to convert amounts from either a traditional, SEP, or SIMPLE IRA into a Roth IRA. You may be able to roll over amounts from a qualified retirement plan to a Roth IRA. You may be able to recharacterize contributions made to one IRA as having been made directly to a different IRA. You can roll amounts over from a designated Roth account or from one Roth IRA to another Roth IRA.

Conversions

You can convert a traditional IRA to a Roth IRA. The conversion is treated as a rollover, regardless of the conversion method used. Most of the rules for rollovers, described in chapter 1 under *Rollover From One IRA Into Another*, apply to these rollovers. However, the 1-year waiting period doesn’t apply.

Conversion methods. You can convert amounts from a traditional IRA to a Roth IRA in any of the following three ways.

- ***Rollover***. You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days after the distribution.
- ***Trustee-to-trustee transfer***. You can direct the trustee of the traditional IRA to transfer an amount from the traditional IRA to the trustee of the Roth IRA.
- ***Same trustee transfer***. If the trustee of the traditional IRA also maintains the Roth IRA, you can direct the trustee to transfer an amount from the traditional IRA to the Roth IRA.

Same trustee. Conversions made with the same trustee can be made by redesignating the traditional IRA as a Roth IRA, rather than opening a new account or issuing a new contract.

Income. You must include in your gross income distributions from a traditional IRA that you would have had to include in income if you hadn't converted them into a Roth IRA. These amounts are normally included in income on your return for the year that you converted them from a traditional IRA to a Roth IRA.

CAUTION *If you must include any amount in your gross income, you may have to increase your withholding or make estimated tax payments. See Pub. 505, Tax Withholding and Estimated Tax.*

More information. For more information on conversions, see *Converting From Any Traditional IRA Into a Roth IRA* in chapter 1.

Rollover From Employer's Plan Into a Roth IRA

You can roll over into a Roth IRA all or part of an eligible rollover distribution you receive from your (or your deceased spouse's):

- Employer's qualified pension, profit-sharing, or stock bonus plan (including a 401(k) plan);
- Annuity plan;
- Tax-sheltered annuity plan (section 403(b) plan); or
- Governmental deferred compensation plan (section 457 plan).

Any amount rolled over is subject to the same rules for converting a traditional IRA into a Roth IRA. See *Converting From Any Traditional IRA Into a Roth IRA* in chapter 1. Also, the rollover contribution must meet the rollover requirements that apply to the specific type of retirement plan.

Rollover methods. You can roll over amounts from a qualified retirement plan to a Roth IRA in one of the following ways.

- ***Rollover.*** You can receive a distribution from a qualified retirement plan and roll it over (contribute) to a Roth IRA within 60 days after the distribution. Since the distribution is paid directly to you, the payer generally must withhold 20% of it. For rules about making a rollover of a plan loan offset, including a qualified plan loan offset, see *Time Limit for Making a Rollover Contribution* in chapter 1.
- ***Direct rollover option.*** Your employer's qualified plan must give you the option to have any part of an eligible rollover distribution paid directly to a Roth IRA. Generally, no tax is withheld from any part of the designated distribution that is directly paid to the trustee of the Roth IRA.

Rollover by nonspouse beneficiary. If you are a designated beneficiary (other than a surviving spouse) of a deceased employee, you can roll over all or part of an eligible rollover distribution from one of the types of plans listed above into a Roth IRA. You must make the rollover by a direct trustee-to-trustee transfer into an inherited Roth IRA.

You will determine your required minimum distributions in years after you make the rollover based on whether the employee died before his or her required beginning date for taking distributions from the plan. For more information, see *Distributions after the employee's death* under *Tax on Excess Accumulation* in Pub. 575.

Income. You must include in your gross income distributions from a qualified retirement plan that you would have had to include in income if you hadn't rolled them over into a Roth IRA. You don't include in gross income any part of a distribution from a qualified retirement plan that is a return of basis (after-tax contributions) to the plan that were taxable to you when paid. These amounts are normally included in income on your return for the year of the rollover from the qualified employer plan to a Roth IRA.

CAUTION *If you must include any amount in your gross income, you may have to increase your withholding or make estimated tax payments. See Pub. 505, Tax Withholding and Estimated Tax.*

For more information on eligible rollover distributions from qualified retirement plans and withholding, see *Rollover From Employer's Plan Into an IRA* in chapter 1.

Military Death Gratuities and Servicemembers' Group Life Insurance (SGLI) Payments

If you received a military death gratuity or SGLI payment with respect to a death from injury that occurred after October 6, 2001, you can contribute (roll over) all or part of the amount received to your Roth IRA. The contribution is treated as a qualified rollover contribution.

The amount you can roll over to your Roth IRA can't exceed the total amount that you received reduced by any part of that amount that was contributed to a Coverdell ESA or another Roth IRA. Any military death gratuity or SGLI payment contributed to a Roth IRA is disregarded for purposes of the 1-year waiting period between rollovers.

The rollover must be completed before the end of the 1-year period beginning on the date you received the payment.

The amount contributed to your Roth IRA is treated as part of your cost basis (investment in the contract) in the Roth IRA that isn't taxable when distributed.

Rollover From a Roth IRA

You can withdraw, tax free, all or part of the assets from one Roth IRA if you contribute them within 60 days to another Roth IRA. Most of the rules for rollovers, described in chapter 1 under *Rollover From One IRA Into Another*, apply to these rollovers. However, rollovers from retirement plans other than Roth IRAs are disregarded for purposes of the 1-year waiting period between rollovers.

A rollover from a Roth IRA to an employer retirement plan isn't allowed.

A rollover from a designated Roth account can only be made to another designated Roth account or to a Roth IRA.

If you roll over an amount from one Roth IRA to another Roth IRA, the 5-year period used to determine qualified distributions doesn't change. The 5-year period begins with the first tax year for which the contribution was made to the initial Roth IRA. See *What Are Qualified Distributions* in chapter 2 of Pub. 590-B.

Rollover of Exxon Valdez Settlement Income

If you are a qualified taxpayer (defined in chapter 1, earlier) and you received qualified settlement income (defined in chapter 1, earlier), you can contribute all or part of the amount received to an eligible retirement plan which includes a Roth IRA. The rules for contributing qualified settlement income to a Roth IRA are the same as the rules for contributing qualified settlement income to a traditional IRA with the following exception. Qualified settlement income that is contributed to a Roth IRA, or to a designated Roth account, will be:

- Included in your taxable income for the year the qualified settlement income was received, and
- Treated as part of your cost basis (investment in the contract) in the Roth IRA that isn't taxable when distributed.

For more information, see *Rollover of Exxon Valdez Settlement Income* in chapter 1.

3.

Retirement Savings Contributions Credit (Saver's Credit)

What's New

Modified AGI limit for retirement savings contributions credit increased. For 2019, you may be able to claim the retirement savings contributions credit if your modified AGI isn't more than:

- $64,000 if your filing status is married filing jointly;
- $48,000 if your filing status is head of household; or
- $32,000 if your filing status is single, married filing separately, or qualifying widow(er).

Introduction

You may be able to take a tax credit if you make eligible contributions (defined later) to a qualified retirement plan, an eligible deferred compensation plan, or an IRA. You may be able to take a credit of up to $1,000 (up to $2,000 if filing jointly). This credit could reduce the federal income tax you pay dollar for dollar.

Can you claim the credit? If you make eligible contributions to a qualified retirement plan, an eligible deferred compensation plan, or an IRA, you can claim the credit if all of the following apply.

1. You were born before January 2, 2002.
2. You aren't a full-time student (explained later).
3. No one else, such as your parent(s), claims an exemption for you on their tax return.
4. Your adjusted gross income (defined below) isn't more than:
   a. $64,000 if your filing status is married filing jointly;
   b. $48,000 if your filing status is head of household; or
   c. $32,000 if your filing status is single, married filing separately, or qualifying widow(er).

Full-time student. You are a full-time student if, during some part of each of 5 calendar months (not necessarily consecutive) during the calendar year, you are either:

- A full-time student at a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance; or
- A student taking a full-time, on-farm training course given by either a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance, or a state, county, or local government.

You are a full-time student if you are enrolled for the number of hours or courses the school considers to be full time.

Adjusted gross income. This is generally the amount on line 8b of your 2019 Form 1040 or 1040-SR; or line 35 of your 2019 Form 1040-NR. However, you must add to that amount any exclusion or deduction claimed for the year for:

- Foreign earned income,

- Foreign housing costs,
- Income for bona fide residents of American Samoa, and
- Income from Puerto Rico.

Eligible contributions. These include:

1. Contributions to a traditional or Roth IRA;
2. Salary reduction contributions (elective deferrals, including amounts designated as after-tax Roth contributions) to:
   a. A 401(k) plan (including a SIMPLE 401(k)),
   b. A section 403(b) annuity,
   c. An eligible deferred compensation plan of a state or local government (a governmental 457 plan),
   d. A SIMPLE IRA plan, or
   e. A salary reduction SEP; and
3. Contributions to a section 501(c)(18) plan.

They also include voluntary after-tax employee contributions to a tax-qualified retirement plan or section 403(b) annuity. For purposes of the credit, an employee contribution will be voluntary as long as it isn't required as a condition of employment.

Reducing eligible contributions. Reduce your eligible contributions (but not below zero) by the total distributions you received during the testing period (defined later) from any IRA, plan, or annuity included above under *Eligible contributions.* Also reduce your eligible contributions by any distribution from a Roth IRA that isn't rolled over, even if the distribution isn't taxable.

Don't reduce your eligible contributions by any of the following.

1. The portion of any distribution which isn't includible in income because it is a trustee-to-trustee transfer or a rollover distribution.
2. Distributions that are taxable as the result of an in-plan rollover to your designated Roth account.
3. Any distribution that is a return of a contribution to an IRA (including a Roth IRA) made during the year for which you claim the credit if:
   a. The distribution is made before the due date (including extensions) of your tax return for that year,
   b. You don't take a deduction for the contribution, and
   c. The distribution includes any income attributable to the contribution.
4. Loans from a qualified employer plan treated as a distribution.
5. Distributions of excess contributions or deferrals (and income attributable to excess contributions and deferrals).
6. Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k).
7. Distributions from an eligible retirement plan that are converted or rolled over to a Roth IRA.
8. Distributions from a military retirement plan.
9. Distributions from an inherited IRA by a nonspousal beneficiary.

Distributions received by spouse. Any distributions your spouse receives are treated as received by you if you file a joint return with your spouse both for the year of the distribution and for the year for which you claim the credit.

Testing period. The testing period consists of the year for which you claim the credit, the period after the end of that year and before the due date (including extensions) for filing your return for that year, and the 2 tax years before that year.

Example. You and your spouse filed joint returns in 2017 and 2018, and plan to do so in 2019 and 2020. You received a taxable distribution from a qualified plan in 2017 and a taxable distribution from an eligible deferred compensation plan in 2018. Your spouse received taxable distributions from a Roth IRA in 2019 and tax-free distributions from a Roth IRA in 2020 before April 15. You made eligible contributions to an IRA in 2019 and you otherwise qualify for this credit. You must reduce the amount of your qualifying contributions in 2019 by the total of the distributions you received in 2017, 2018, 2019, and 2020.

Maximum eligible contributions. After your contributions are reduced, the maximum annual contribution on which you can base the credit is $2,000 per person.

Effect on other credits. The amount of this credit won't change the amount of your refundable tax credits. A refundable tax credit, such as the earned income credit or the refundable amount of your child tax credit, is an amount that you would receive as a refund even if you didn't otherwise owe any taxes.

Maximum credit. This is a nonrefundable credit. The amount of the credit in any year can't be more than the amount of tax that you would otherwise pay (not counting any refundable credits) in any year. If your tax liability is reduced to zero because of other nonrefundable credits, such as the credit for child and dependent care expenses, then you won't be entitled to this credit.

How to figure and report the credit. The amount of the credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%. Your credit rate depends on your income and your filing status. See Form 8880 to determine your credit rate.

The maximum contribution taken into account is $2,000 per person. On a joint return, up to $2,000 is taken into account for each spouse.

Figure the credit on Form 8880. Report the credit on Schedule 3 (Form 1040 or 1040-SR), line 4; or line 48 of your Form 1040-NR and attach Form 8880 to your return.

How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to IRS.gov and find resources that can help you right away.

Preparing and filing your tax return. After receiving your wage and earning statements (Form W-2, W-2G, 1099-R, 1099-MISC) from all employers and interest and dividend statements from banks (Forms 1099), you can find free options to prepare and file your return on IRS.gov or in your local community if you qualify.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

You can go to IRS.gov to see your options for preparing and filing your return, which include the following.

- **Free File.** Go to IRS.gov/FreeFile to see if you qualify to use brand-name software to prepare and *e-file* your federal tax return for free.
- **VITA.** Go to IRS.gov/VITA, download the free IRS2Go app, or call 800-906-9887 to find the nearest VITA location for free tax return preparation.
- **TCE.** Go to IRS.gov/TCE, download the free IRS2Go app, or call 888-227-7669 to find the nearest TCE location for free tax return preparation.

Employers can register to use Business Services Online. The SSA offers online service for fast, free, and secure online W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Forms W-2, Wage and Tax Statement, and Forms W-2c, Corrected Wage and Tax Statement. Employers can go to SSA.gov/employer for more information.

Getting answers to your tax questions. On IRS.gov, get answers to your tax questions anytime, anywhere.

- Go to IRS.gov/Help for a variety of tools that will help you get answers to some of the most common tax questions.
- Go to IRS.gov/ITA for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can print the entire interview and the final response for your records.
- Go to IRS.gov/Forms to search for our forms, instructions, and publications. You will find details on 2019 tax changes and hundreds of interactive links to help you find answers to your questions.
- You may also be able to access tax law information in your electronic filing software.

Tax reform. Tax reform legislation affects individuals, businesses, tax-exempt and government entities. Go to IRS.gov/TaxReform for information and updates on how this legislation affects your taxes.

IRS social media. Go to IRS.gov/SocialMedia to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are paramount. We use these tools to share public information with you. **Don't** post your social security number or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- Youtube.com/irsvideos.
- Youtube.com/irsvideosmultilingua.
- Youtube.com/irsvideosASL.

Watching IRS videos. The IRS Video portal (IRSVideos.gov) contains video and audio presentations for individuals, small businesses, and tax professionals.

Getting tax information in other languages. For taxpayers whose native language isn't English, we have the following resources available. Taxpayers can find information on IRS.gov in the following languages.

- Spanish (IRS.gov/Spanish).
- Chinese (IRS.gov/Chinese).
- Korean (IRS.gov/Korean).
- Russian (IRS.gov/Russian).
- Vietnamese (IRS.gov/Vietnamese).

The IRS Taxpayer Assistance Centers (TACs) provide over-the-phone interpreter service in over 170 languages, and the service is available free to taxpayers.

Getting tax forms and publications. Go to IRS.gov/Forms to view, download, or print all of the forms, instructions, and publications you may need. You can also download and view popular tax publications and instructions (including the 1040 and 1040-SR instructions) on mobile devices as an eBook at no charge at IRS.gov/eBooks. Or you can go to IRS.gov/OrderForms to place an order and have them mailed to you within 10 business days.

Access your online account (individual taxpayers only). Go to IRS.gov/Account to securely access information about your federal tax account.

- View the amount you owe, pay online, or set up an online payment agreement.
- Access your tax records online.

- Review the past 24 months of your payment history.
- Go to IRS.gov/SecureAccess to review the required identity authentication process.

Using direct deposit. The fastest way to receive a tax refund is to combine direct deposit and IRS *e-file*. Direct deposit securely and electronically transfers your refund directly into your financial account. Eight in 10 taxpayers use direct deposit to receive their refund. The IRS issues more than 90% of refunds in less than 21 days.

Getting a transcript or copy of a return. The quickest way to get a copy of your tax transcript is to go to IRS.gov/Transcripts. Click on either "Get Transcript Online" or "Get Transcript by Mail" to order a copy of your transcript. If you prefer, you can order your transcript by calling 800-908-9946.

Using online tools to help prepare your return. Go to IRS.gov/Tools for the following.

- The Earned Income Tax Credit Assistant (IRS.gov/EITCAssistant) determines if you're eligible for the EIC.
- The Online EIN Application (IRS.gov/EIN) helps you get an employer identification number.
- The Tax Withholding Estimator (IRS.gov/W4app) makes it easier for everyone to pay the correct amount of tax during the year. The Estimator replaces the Withholding Calculator. The redesigned tool is a convenient, online way to check and tailor your withholding. It's more user-friendly for taxpayers, including retirees and self-employed individuals. The new and improved features include the following.
  - Easy to understand language;
  - The ability to switch between screens, correct previous entries, and skip screens that don't apply;
  - Tips and links to help you determine if you qualify for tax credits and deductions;
  - A progress tracker;
  - A self-employment tax feature; and
  - Automatic calculation of taxable social security benefits.
- The First Time Homebuyer Credit Account Look-up (IRS.gov/HomeBuyer) tool provides information on your repayments and account balance.
- The Sales Tax Deduction Calculator (IRS.gov/SalesTax) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040 or 1040-SR), choose not to claim state and local income taxes, and you didn't save your receipts showing the sales tax you paid.

Resolving tax-related identity theft issues.

- The IRS doesn't initiate contact with taxpayers by email or telephone to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.
- Go to IRS.gov/IDProtection for information.
- If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, visit IRS.gov/IdentityTheft to learn what steps you should take.

Checking on the status of your refund.

- Go to IRS.gov/Refunds.
- The IRS can't issue refunds before mid-February 2020 for returns that claimed the EIC or the ACTC. This applies to the entire refund, not just the portion associated with these credits.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

Making a tax payment. The IRS uses the latest encryption technology to ensure your electronic payments are safe and secure. You can make electronic payments online, by phone, and from a mobile device using the IRS2Go app. Paying electronically is quick, easy, and faster than mailing in a check or money order. Go to IRS.gov/Payments to make a payment using any of the following options.

- IRS Direct Pay: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- Debit or Credit Card: Choose an approved payment processor to pay online, by phone, and by mobile device.
- Electronic Funds Withdrawal: Offered only when filing your federal taxes using tax return preparation software or through a tax professional.
- Electronic Federal Tax Payment System: Best option for businesses. Enrollment is required.
- Check or Money Order: Mail your payment to the address listed on the notice or instructions.
- Cash: You may be able to pay your taxes with cash at a participating retail store.
- Same-Day Wire: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and cut-off times.

What if I can't pay now? Go to IRS.gov/Payments for more information about your options.

- Apply for an online payment agreement (IRS.gov/OPA) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the Offer in Compromise Pre-Qualifier to see if you can settle your tax debt for less than the full

amount you owe. For more information on the Offer in Compromise program, go to IRS.gov/OIC.

Checking the status of an amended return. Go to IRS.gov/WMAR to track the status of Form 1040-X amended returns. Please note that it can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

Understanding an IRS notice or letter. Go to IRS.gov/Notices to find additional information about responding to an IRS notice or letter.

Contacting your local IRS office. Keep in mind, many questions can be answered on IRS.gov without visiting an IRS Taxpayer Assistance Center (TAC). Go to IRS.gov/LetUsHelp for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to IRS.gov/TACLocator to find the nearest TAC, check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the *Taxpayer Bill of Rights*.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to TaxpayerAdvocate.IRS.gov to help you understand *what these rights mean to you* and how they apply. These are ***your*** rights. Know them. Use them.

What Can TAS Do For You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach TAS?

TAS has offices *in every state, the District of Columbia, and Puerto Rico*. Your local advocate's number is in your local directory and at TaxpayerAdvocate.IRS.gov/Contact-Us. You can also call them at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, please report it to them at IRS.gov/SAMS.

TAS also has a website, *Tax Reform Changes*, which shows you how the new tax law may change your future tax filings and helps you plan for these changes. The information is categorized by tax topic in the order of the IRS Form 1040 or 1040-SR. Go to TaxChanges.us for more information.

TAS for Tax Professionals

TAS can provide a variety of information for tax professionals, including tax law updates and guidance, TAS programs, and ways to let TAS know about systemic problems you've seen in your practice.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. To find a clinic near you, visit IRS.gov/LITC or see IRS Pub. 4134, *Low Income Taxpayer Clinic List*.

Appendices

To help you complete your tax return, use the following appendices that include worksheets and tables.

1. **Appendix A**—Summary Record of Traditional IRA(s) for 2019.
2. **Appendix B**—Worksheets you use if you receive social security benefits and are subject to the IRA deduction phaseout rules. A filled-in example is included.
   a. Worksheet 1, Computation of Modified AGI.
   b. Worksheet 2, Computation of Traditional IRA Deduction for 2019.
   c. Worksheet 3, Computation of Taxable Social Security Benefits.
   d. Comprehensive Example and completed worksheets.

Appendix A. Summary Record of Traditional IRA(s) for 2019

Keep for Your Records

Name ____

I was ☐ covered ☐ not covered by my employer's retirement plan during the year.

I became $59^{1}/_{2}$ on ____(month) (day) (year)

I became $70^{1}/_{2}$ on ____(month) (day) (year)

Contributions

Name of traditional IRA	Date	Amount contributed for 2019	Check if rollover contribution	Fair Market Value of IRA as of December 31, 2019, from Form 5498
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
Total				

Total contributions deducted on tax return . . . . $ ____________

Total contributions treated as nondeductible on Form 8606 . . . . $ ____________

Distributions

Name of traditional IRA	Date	Amount of Distribution	Reason (for example, retirement, rollover, conversion, withdrawal of excess contributions)	Income earned on IRA	Taxable amount reported on income tax return	Nontaxable amount from Form 8606, line 13
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
Total						

Basis of all traditional IRAs for 2019 and earlier years (from Form 8606, line 14) . . . . $ ____________

Note. You should keep copies of your income tax return, and Forms W-2, 8606, and 5498.

Appendix B. Worksheets for Social Security Recipients Who Contribute to a Traditional IRA

Keep for Your Records

If you receive social security benefits, have taxable compensation, contribute to your traditional IRA, and you or your spouse is covered by an employer retirement plan, complete the following worksheets. (See *Are You Covered by an Employer Plan?* in chapter 1.)

Use Worksheet 1 to figure your modified adjusted gross income. This amount is needed in the computation of your IRA deduction, if any, which is figured using Worksheet 2.

The IRA deduction figured using Worksheet 2 is entered on your tax return.

Worksheet 1
Computation of Modified AGI
(For use only by taxpayers who receive social security benefits)

Filing Status—Check only one box:

☐ **A.** Married filing jointly

☐ **B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***

☐ **C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1.	Adjusted gross income (AGI) from Form 1040 or 1040-SR (For purposes of this worksheet, figure your AGI without taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for contributions to a traditional IRA, any student loan interest deduction, any tuition and fees deduction, or any exclusion of interest from savings bonds to be reported on Form 8815.)	**1.** ______
2.	Enter the amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	**2.** ______
3.	Enter one-half of line 2	**3.** ______
4.	Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	**4.** ______
5.	Enter the amount of any tax-exempt interest reported on Form 1040 or 1040-SR, line 2a	**5.** ______
6.	Add lines 1, 3, 4, and 5	**6.** ______
7.	Enter the amount listed below for your filing status. • **$32,000** if you checked box **A** above. • **$25,000** if you checked box **B** above. • **$0** if you checked box **C** above.	**7.** ______
8.	Subtract line 7 from line 6. If zero or less, enter -0- on this line	**8.** ______
9.	If line 8 is zero, skip to line 17, enter -0-, and continue with line 18. If line 8 is more than zero, enter the amount listed below for your filing status. • **$12,000** if you checked box **A** above. • **$9,000** if you checked box **B** above. • **$0** if you checked box **C** above	**9.** ______
10.	Subtract line 9 from line 8. If zero or less, enter -0-	**10.** ______
11.	Enter the smaller of line 8 or line 9	**11.** ______
12.	Enter one-half of line 11	**12.** ______
13.	Enter the smaller of line 3 or line 12	**13.** ______
14.	Multiply line 10 by 0.85. If line 10 is zero, enter -0-	**14.** ______
15.	Add lines 13 and 14	**15.** ______
16.	Multiply line 2 by 0.85	**16.** ______
17.	**Taxable benefits** to be included in modified AGI for traditional IRA deduction purposes. Enter the smaller of line 15 or line 16	**17.** ______
18.	Enter the amount of any employer-provided adoption benefits exclusion and any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	**18.** ______
19.	**Modified AGI** for determining your reduced traditional IRA deduction—add lines 1, 17, and 18. Enter here and on line 2 of Worksheet 2 next	**19.** ______

Worksheet 2
Computation of Traditional IRA Deduction for 2019
(For use only by taxpayers who receive social security benefits)

IF your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
married filing jointly or qualifying widow(er)	$103,000*	$123,000
married filing jointly (you are not covered by an employer plan but your spouse is)	$193,000*	$203,000
single, or head of household	$64,000*	$74,000
married filing separately**	$0*	$10,000

*If your modified AGI **isn't** over this amount, you can take an IRA deduction for your contributions of up to the lesser of $6,000 ($7,000 if you are age 50 or older) or your taxable compensation. Skip this worksheet, proceed to Worksheet 3, and enter your IRA deduction on line 2 of Worksheet 3.
If you **didn't live with your spouse **at any time** during the year, consider your filing status as single.
Note. If you were married and you or your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

1. Enter the applicable amount from above . . . . **1.** ______

2. Enter your **modified AGI** from Worksheet 1, line 19 . . . . **2.** ______

Note. If line 2 is equal to or more than the amount on line 1, **stop here;** your traditional IRA contributions aren't deductible. Proceed to Worksheet 3.

3. Subtract line 2 from line 1 . . . . **3.** ______

4. Multiply line 3 by the percentage below that applies to you. If the result isn't a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200.
- Married filing jointly or qualifying widow(er) **and** you are covered by an employer plan, multiply line 3 by 30% (0.30) (by 35% (0.35) if you are age 50 or older).
- All others, multiply line 3 by 60% (0.60) (by 70% (0.70) if you are age 50 or older).

. . . . **4.** ______

5. Enter your compensation minus any deductions on Schedule 1 (Form 1040 or 1040-SR), line 14; or Form 1040-NR, line 27 (deductible part of self-employment tax) and Schedule 1 (Form 1040 or 1040-SR), line 15; or Form 1040-NR, line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are the lower-income spouse, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year . . . . **5.** ______

6. Enter contributions you made, or plan to make, to your traditional IRA for 2019, but don't enter more than $6,000 ($7,000 if you are age 50 or older) . . . . **6.** ______

7. **Deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here (or a smaller amount if you choose). Enter this amount on the Form 1040 or 1040-SR line for your IRA. (If the amount on line 6 is more than the amount on line 7, complete line 8.) . . . . **7.** ______

8. **Nondeductible contributions.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606, Nondeductible IRAs . . . . **8.** ______

Worksheet 3
Computation of Taxable Social Security Benefits
(For use by taxpayers who receive social security benefits and take a traditional IRA deduction)

Filing Status—Check only one box:

☐ **A.** Married filing jointly

☐ **B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***

☐ **C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1. Adjusted gross income (AGI) from Form 1040 or 1040-SR (For purposes of this worksheet, figure your AGI without taking into account any IRA deduction, any student loan interest deduction, any tuition and fees deduction, or any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815.)	**1.**	
2. Deduction(s) from line 7 of Worksheet(s) 2	**2.**	
3. Subtract line 2 from line 1	**3.**	
4. Enter amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	**4.**	
5. Enter one-half of line 4	**5.**	
6. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	**6.**	
7. Enter the amount of any tax-exempt interest reported on line 2a of Form 1040 or 1040-SR	**7.**	
8. Add lines 3, 5, 6, and 7	**8.**	
9. Enter the amount listed below for your filing status. • **$32,000** if you checked box **A** above. • **$25,000** if you checked box **B** above. • **$0** if you checked box **C** above.	**9.**	
10. Subtract line 9 from line 8. If zero or less, enter -0- on this line	**10.**	
11. If line 10 is zero, **stop here**. None of your social security benefits are taxable. If line 10 is more than zero, enter the amount listed below for your filing status. • **$12,000** if you checked box **A** above. • **$9,000** if you checked box **B** above. • **$0** if you checked box **C** above.	**11.**	
12. Subtract line 11 from line 10. If zero or less, enter -0-	**12.**	
13. Enter the smaller of line 10 or line 11	**13.**	
14. Enter one-half of line 13	**14.**	
15. Enter the smaller of line 5 or line 14	**15.**	
16. Multiply line 12 by 0.85. If line 12 is zero, enter -0-	**16.**	
17. Add lines 15 and 16	**17.**	
18. Multiply line 4 by 0.85	**18.**	
19. **Taxable social security benefits.** Enter the smaller of line 17 or line 18	**19.**	

Comprehensive Example
Determining Your Traditional IRA Deduction and the Taxable Portion of Your Social Security Benefits

John Black is married and files a joint return. He is 65 years old and had 2019 wages of $98,700. His wife didn't work in 2019. He also received social security benefits of $12,000 and made a $6,000 contribution to his traditional IRA for the year. He had no foreign income, no tax-exempt interest, and no adjustments to income on lines 10 through 22 on his Schedule 1 (Form 1040 or 1040-SR). He participated in a section 401(k) retirement plan at work.

John completes Worksheets 1 and 2. Worksheet 2 shows that his 2019 IRA deduction is $4,940. He must either withdraw the contributions that are more than the deduction (the $1,060 shown on line 8 of Worksheet 2), or treat the excess amounts as nondeductible contributions (in which case he must complete Form 8606 and attach it to his Form 1040-SR).

The completed worksheets that follow show how John figured his modified AGI to determine the IRA deduction and the taxable social security benefits to report on his Form 1040-SR.

Worksheet 1
Computation of Modified AGI
(For use only by taxpayers who receive social security benefits)

***Filing Status*—Check only one box:**

☑ **A.** Married filing jointly
☐ **B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***
☐ **C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1.	Adjusted gross income (AGI) from Form 1040 or 1040-SR (For purposes of this worksheet, figure your AGI without taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for contributions to a traditional IRA, any student loan interest deduction, any tuition and fees deduction, or any exclusion of interest from savings bonds to be reported on Form 8815.)	**1.** 98,700
2.	Enter the amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	**2.** 12,000
3.	Enter one-half of line 2	**3.** 6,000
4.	Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	**4.** 0
5.	Enter the amount of any tax-exempt interest reported on Form 1040 or 1040-SR, line 2a	**5.** 0
6.	Add lines 1, 3, 4, and 5	**6.** 104,700
7.	Enter the amount listed below for your filing status. • **$32,000** if you checked box **A** above. • **$25,000** if you checked box **B** above. • **$0** if you checked box **C** above.	**7.** 32,000
8.	Subtract line 7 from line 6. If zero or less, enter -0- on this line	**8.** 72,700
9.	If line 8 is zero, skip to line 17, enter -0-, and continue with line 18. If line 8 is more than zero, enter the amount listed below for your filing status. • **$12,000** if you checked box **A** above. • **$9,000** if you checked box **B** above. • **$0** if you checked box **C** above	**9.** 12,000
10.	Subtract line 9 from line 8. If zero or less, enter -0-	**10.** 60,700
11.	Enter the smaller of line 8 or line 9	**11.** 12,000
12.	Enter one-half of line 11	**12.** 6,000
13.	Enter the smaller of line 3 or line 12	**13.** 6,000
14.	Multiply line 10 by 0.85. If line 10 is zero, enter -0-	**14.** 51,595
15.	Add lines 13 and 14	**15.** 57,595
16.	Multiply line 2 by 0.85	**16.** 10,200
17.	**Taxable benefits** to be included in modified AGI for traditional IRA deduction purposes. Enter the smaller of line 15 or line 16	**17.** 10,200
18.	Enter the amount of any employer-provided adoption benefits exclusion and any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	**18.** 0
19.	**Modified AGI** for determining your reduced traditional IRA deduction—add lines 1, 17, and 18. Enter here and on line 2 of Worksheet 2 next	**19.** 108,900

Worksheet 2
Computation of Traditional IRA Deduction for 2019
(For use only by taxpayers who receive social security benefits)

IF your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
married filing jointly or qualifying widow(er)	$103,000*	$123,000
married filing jointly (you aren't covered by an employer plan but your spouse is)	$193,000*	$203,000
single, or head of household	$64,000*	$74,000
married filing separately**	$0*	$10,000

*If your modified AGI **isn't** over this amount, you can take an IRA deduction for your contributions of up to the lesser of $6,000 ($7,000 if you are age 50 or older) or your taxable compensation. Skip this worksheet, proceed to Worksheet 3, and enter your IRA deduction on line 2 of Worksheet 3.
If you **didn't live with your spouse **at any time** during the year, consider your filing status as single.
Note. If you were married and you or your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

1.	Enter the applicable amount from above	**1.**	123,000
2.	Enter your **modified AGI** from Worksheet 1, line 19	**2.**	108,900
	Note. If line 2 is equal to or more than the amount on line 1, **stop here;** your traditional IRA contributions aren't deductible. Proceed to Worksheet 3.		
3.	Subtract line 2 from line 1	**3.**	14,100
4.	Multiply line 3 by the percentage below that applies to you. If the result isn't a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200. • Married filing jointly or qualifying widow(er) **and** you are covered by an employer plan, multiply line 3 by 30% (0.30) (by 35% (0.35) if you are age 50 or older). • All others, multiply line 3 by 60% (0.60) (by 70% (0.70) if you are age 50 or older).	**4.**	4,940
5.	Enter your compensation minus any deductions on Schedule 1 (Form 1040 or 1040-SR), line 14; or Form 1040-NR, line 27 (deductible part of self-employment tax) and Schedule 1 (Form 1040 or 1040-SR), line 15; or Form 1040-NR, line 28 (self-employed SEP, SIMPLE, and qualified plans). If you are the lower-income spouse, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year	**5.**	98,700
6.	Enter contributions you made, or plan to make, to your traditional IRA for 2019, but don't enter more than $6,000 ($7,000 if you are age 50 or older)	**6.**	6,000
7.	**Deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here (or a smaller amount if you choose). Enter this amount on the Form 1040 or 1040-SR line for your IRA. (If the amount on line 6 is more than the amount on line 7, complete line 8.)	**7.**	4,940
8.	**Nondeductible contributions.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606, Nondeductible IRAs	**8.**	1,060

Worksheet 3
Computation of Taxable Social Security Benefits
(For use by taxpayers who receive social security benefits and take a traditional IRA deduction)

Filing Status—Check only one box:

☑ **A.** Married filing jointly

☐ **B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***

☐ **C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1. Adjusted gross income (AGI) from Form 1040 or 1040-SR (For purposes of this worksheet, figure your AGI without taking into account any IRA deduction, any student loan interest deduction, any tuition and fees deduction, any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815.)	**1.**	98,700
2. Deduction(s) from line 7 of Worksheet(s) 2	**2.**	4,940
3. Subtract line 2 from line 1	**3.**	93,760
4. Enter amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	**4.**	12,000
5. Enter one-half of line 4	**5.**	6,000
6. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	**6.**	0
7. Enter the amount of any tax-exempt interest reported on Form 1040 or 1040-SR, line 2a	**7.**	0
8. Add lines 3, 5, 6, and 7	**8.**	99,760
9. Enter the amount listed below for your filing status. • **$32,000** if you checked box **A** above. • **$25,000** if you checked box **B** above. • **$0** if you checked box **C** above.	**9.**	32,000
10. Subtract line 9 from line 8. If zero or less, enter -0- on this line.	**10.**	67,760
11. If line 10 is zero, **stop here**. None of your social security benefits are taxable. If line 10 is more than zero, enter the amount listed below for your filing status. • **$12,000** if you checked box **A** above. • **$9,000** if you checked box **B** above. • **$0** if you checked box **C** above	**11.**	12,000
12. Subtract line 11 from line 10. If zero or less, enter -0-	**12.**	55,760
13. Enter the smaller of line 10 or line 11	**13.**	12,000
14. Enter one-half of line 13	**14.**	6,000
15. Enter the smaller of line 5 or line 14	**15.**	6,000
16. Multiply line 12 by 0.85. If line 12 is zero, enter -0-	**16.**	47,396
17. Add lines 15 and 16	**17.**	53,396
18. Multiply line 4 by 0.85	**18.**	10,200
19. **Taxable social security benefits.** Enter the smaller of line 17 or line 18	**19.**	10,200

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To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.