

WAEPA GUIDE

Federal Employees and IRAs Guide



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Mr. Zurndorfer conducts monthly webinars for Federal employees and retirees through the company *Serving Those Who Serve*. These monthly webinars discuss and explain CSRS and FERS retirement benefits, Social Security benefits, the Thrift Savings Plan, Federal employee insurance benefits including the Federal employee Health Benefits Program and the Federal employee Group Life Insurance, Medicare, Survivor Benefits, Tax Planning for Retirement and Estate Planning for Federal employees.

Mr. Zurndorfer writes a weekly column on Federal employee benefits for the web site www.myfederalretirement.com and also writes a weekly column on employee benefits for *Serving Those Who Serve* called the FEDZONE (www.fed-zone.com). He formally wrote weekly columns on benefits for Federal employees and Federal employee planning guides for Federal employees News Digest (FEND). Over the past 25 years, Mr. Zurndorfer has written and authored over 2,500 weekly columns and publications.

Disclaimer

The information presented in this Federal employees and IRAs Guide is not intended to be a substitute for specific individual retirement or tax advice as individual situations will vary. Because individual retirement or tax situations vary, it is suggested that individuals should discuss any retirement or tax issues with a qualified retirement or tax advisor.

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Introduction

Individual Retirement Accounts (IRA) have been available to all working individuals since 1974. At that time, Congress passed legislation creating IRAs in order to help workers supplement their existing pension plans or in some situations, to serve as a sole means of a worker's retirement savings plan.

There have been several legislative changes to IRAs since their initial establishment in 1974. Among these changes is that since 1986, workers who are covered by qualified retirement plans may not be able to deduct their IRA contributions on their income taxes (as an adjustment to income). While many employees have and continue to fund their IRA's, there are those who have stopped contributing as a result of not being able to deduct their contributions (as they can with their contributions to the Thrift Savings Plan).

Another plausible reason for the lack of participation in funding IRAs among employees is a misunderstanding of what IRAs are as well as who is eligible to establish and contribute to them. For example, there are some employees who mistakenly believe that because they are covered by a qualified retirement plan and (such as a 401(k)) then they are ineligible to contribute to an IRA. Nothing could be further from the truth. Any employee, whether the employee earns \$300 or \$3,000,000 a year, is eligible to contribute to some type of IRA.

In addition to providing another source for retirement, IRAs may also be used (with limitations) to fund the purchase of a first house and the payment of a dependent's college expenses. Most of these new opportunities have come about following the passage of the Taxpayer Relief Act of 1997.

In this publication, all of the many opportunities available to Federal employees for contributing to, maintaining, and ultimately using their IRA's will be discussed. At a time when many Americans are discovering (in some cases, too late), that have not saved enough for their retirement, IRAs represent a terrific opportunity for employees to help ensure their financial security during retirement.

What is an Individual Retirement Arrangement (IRA)?

Since 1974, the acronym “IRA” has historically been referred to as an Individual Retirement Account or Annuity, established and maintained by an individual for their own benefit. However, that definition is currently too restricted. This is because Congress has expanded the use of the term IRA to describe any type of individual savings plan receiving federal tax benefits.

Individuals who work, or who are married to working spouses are authorized to open IRAs and to obtain federal (and often state) tax benefits. The tax-favored status of an IRA, along with the rules that accompany that status, are what distinguish any type of IRA from a general savings plan that an individual may have.

Different Types of IRAs That Individuals May Own

There are five types of IRAs that individuals may own. Here are the five, with a brief description of each:

Traditional IRA. The traditional IRA, created in 1974, may be either a *deductible* or a *nondeductible* IRA. For the year 2025, the annual contribution to a traditional IRA is limited to \$7,000; (for those individuals who are age 50 or older as of 12/31/2025, an additional contribution of \$1,000 may be made during 2025 allowing those individuals to contribute a maximum \$8,000 to their IRAs for 2025. The issue of whether or not one’s IRA contribution is deductible depends on one’s modified adjusted gross income (MAGI) (see Chapter 6). Earnings in a traditional IRA grow tax deferred. Individuals generally cannot access their traditional IRAs without penalty until they are age 59 1/2.

Roth IRA. A Roth IRA is a type of nondeductible IRA. That is, contributions to Roth IRAs are always made with after-

taxed dollars. However, a Roth IRA’s key feature (that differentiates it from a traditional, nondeductible IRA) is that the earnings in the account are potentially tax-free at the time of distribution. In other words, individuals taking qualified distributions from a Roth IRA do not have to pay federal (and in most cases, state) income taxes at the time of distribution. Also, the Roth IRA is more accessible than the traditional IRA; individuals may take a distribution of their principal amount (contributions) at any time, for any reason, and without penalty. Earnings in a Roth IRA (interest, dividends, capital gains) may also be withdrawn tax-free before age 59 1/2 in order to pay higher education expenses of a relative, to pay the expenses for the purchase of a first home, or to pay expenses related to a total disability. Roth IRAs have the same annual contribution limits as the traditional IRAs.

Different Types of IRAs That Individuals May Own *(continued)*

Coverdell Educational Savings Account. A Coverdell Education Savings Account (CESA) is a trust or custodial account designed to help pay higher education costs. It allows an individual to make a non-deductible contribution on behalf of a child (younger than 18). Until 2002, the maximum educational IRA contribution was \$500 per child per year; starting in 2002, the maximum annual contribution per child increased to \$2,000. The CESA is a different type of IRA in that its sole purpose is saving money for a child's education expenses. This includes qualifying educational expenses for nursery school, parochial and private school grades 1 to 12 (as well as for post-high school).

Simplified Employee Pension (SEP)-IRA Plan. A SEP is an employer retirement plan that allows an employer to make contributions

into the traditional IRAs of its employees. Although a SEP is not an IRA, traditional IRAs that receive employer SEP contributions are often referred to as SEP IRAs. Many individuals who are employed in second jobs or started businesses on their own are participating in SEP plans.

Savings Incentive Match Plan for Employees (SIMPLE) IRA. A SIMPLE IRA is a special type of IRA that can receive only employer contributions and employee salary deferrals. (SIMPLE is an acronym for Savings Incentive Match Plan for Employees). A SIMPLE plan is similar in concept to a SEP. There are many Federal employees who may participate in SIMPLE plans as part of their additional employment with a private employer.

In addition to an individual retirement account (governed by Internal Revenue Code Sections 408 and 408A), there is an individual retirement annuity. An individual retirement annuity is another type of traditional IRA that is issued by an insurance company qualified to do business under the laws of the jurisdiction where the contract is sold.

The various types of IRAs available to individuals (except for SEPs and SIMPLEs) are summarized in Table 1. From time to time throughout this publication Table 1 will be referenced with respect to a particular aspect of an IRA.

Table 1. Comparison of IRAs (2025 Limits are Shown)

	Traditional Deductible IRA	Spousal IRA	Traditional Nondeductible IRA	Roth IRA	Coverdell Educational Savings Account (Educational IRA)
Qualifications to Make Contributions	Must have earned income or a spouse must have earned income.	A spouse can make contributions based on the other spouse's earned income.	Individual (or spouse) must have earned income. Individuals may be of any age.	Individuals (or spouse) must have earned income and be of any age.	Beneficiary of Educational IRA must be under 18
Income Limitations (Modified Adjusted Gross Income (MAGI*))	If active participant in employer retirement plan, subject to MAGI* phase out rules for – MFJ: \$126,000 - \$146,000. Single & HOH: \$79,000 – \$89,000. No limits for individuals not actively participating in employer retirement plan.	If a working spouse is an active participant in an employer plan, the nonworking spouse's IRA is phased out when MAGI* is between \$236,000 - \$246,000.	No Limitations.	Regardless of coverage by employer retirement plan, subject to MAGI*phase-out rules: MFJ: \$236,000-\$246,000 Single & HOH & QW: \$150,000 - \$165,000 MFS: \$0 - \$10,000.	Contributor is subject to MAGI*phase-out rules: MFJ: \$190,000 - \$220,000 Single & HOH & MFS & QW: \$95,000 - \$110,000
Contribution Limit	Lesser of \$7,000 or taxable compensation. Coordination of IRAs: Limit applies to any combination of IRA plans (other than Coverdell IRA). This means the maximum total yearly contributions to all IRAs are \$7,000. (The limit is \$8,000 for individuals who are at least aged 50 by Dec. 31, 2025)				Limited to \$2,000 per year per beneficiary. Contributions do not count against the limits for other IRAs.
Tax Treatment of Qualified Distributions	All distributions are taxable.	All distributions are taxable.	Cost basis portion of distribution is tax free; earnings portion is taxable	Qualified distributions are nontaxable (including earnings). Certain non-qualified distributions are not subject to the 10% penalty, but the earnings portion is taxable.	Qualified distributions are nontaxable (including earnings).

Table 1. Comparison of IRAs (2025 Limits are Shown) (continued)

	Traditional Deductible IRA	Spousal IRA	Traditional Nondeductible IRA	Roth IRA	Coverdell Educational Savings Account (Educational IRA)
Allowable Distributions (Not Subject to 10% Penalty)	<p>Under current law allowable distributions (not subject to the 10% penalty) include:</p> <ol style="list-style-type: none"> 1. Participant over age 59 ½. 2. Death or disability of participant. 3. Series of substantially equal payments over life of participant (or joint lives of participant and beneficiary). 4. Payment of qualified medical expenses that exceed 7.5% of AGI. 5. Payment of health insurance premiums for certain unemployed individuals. 6. Payment of qualified college expenses 7. Payment of qualified first-time home purchases 8. Payment due to IRS levy 			<p>Qualified distributions are not allowed during the first 5 years of plan. Entire distribution is nontaxable for:</p> <ol style="list-style-type: none"> 1. Participant is over age 59 1/2 2. Death or disability of participant. 3. Qualified first-time home purchase. <p>Earnings portion of nonqualified distribution is taxable (but penalty free) for:</p> <ol style="list-style-type: none"> 1. Qualified college expenses. 2. Qualified medical expenses that exceed 7.5% of AGI. 3. Substantially equal payments over life of participant. 4. Health insurance premiums for certain unemployed individuals. 5. Distribution due to IRS levy. 	<p>For payment of qualified college expenses.</p>
Penalties	<p>Ten percent penalty is applied to all distributions that are not qualified under a Code Section 72(t) exception. 6% penalty on all excess contributions.</p>				
Required Distributions	<p>Must begin by April 1 following the year the IRA owner becomes age 70 1/2 (if born before 7/1/1949; by April 1 following the year the IRA owner becomes age 72 (if born between 07/01/1949 and 12/31/1950); by April 1 following the year the IRA owner becomes age 73 (if born between 01/01/1951 and 12/31/1959); and by April 1 following the year the IRA owner becomes age 75 (if born after 12/31/1959.</p>			<p>Distributions are required only after the death of participant.</p>	

Table 1. Comparison of IRAs (2025 Limits are Shown) (continued)

	Traditional Deductible IRA	Spousal IRA	Traditional Nondeductible IRA	Roth IRA	Coverdell Educational Savings Account (Educational IRA)
Rollovers And Conversions	<p>Traditional IRAs may be rolled into traditional IRAs. Roth IRAs may be rolled to Roth IRA.</p> <p>Traditional IRA funds may be converted to Roth IRAs penalty free:</p> <ol style="list-style-type: none"> 1. Conversions are subject to income tax. 2. Any individual - no matter what their income, filing status, or age - may convert a traditional IRA to a Roth IRA. 		<p>Traditional IRAs may be rolled into traditional IRA.</p> <p>Traditional IRA funds may be converted to Roth IRAs penalty free:</p> <ol style="list-style-type: none"> 1) Conversions are subject to income tax. 2) Any individual - no matter what their income, filing status, or age - may convert a traditional IRA to a Roth IRA. 	<p>Funds from one Roth IRA may be rolled over tax-free into another Roth IRA.</p>	<p>May be rolled over tax free to another Coverdell IRA. May also be rolled into a Coverdell IRA for another beneficiary in the same family.</p>

**Modified Adjusted Gross Income = Adjusted Gross Income + Student Loan Interest Deduction + Tuition and Fees Deduction + Foreign Earned Income Exclusion + Foreign Housing Exclusion or Deduction + Excluded EE Savings Bond Interest Shown on Form 8815*

The main benefits to IRAs that are most appealing to individuals are the tax benefits. All types of IRAs share one common tax characteristic: their earnings grow at least tax deferred. From that common base, the tax benefits of the various IRAs are different.

With a traditional IRA, individuals may be eligible for a tax deduction for their contribution, but distributions from a deductible, traditional IRA are generally subject to taxation. As will be discussed in Chapter 2, many Federal employees are not eligible to make a traditional *deductible* IRA contribution; however, they are always eligible to make a traditional *nondeductible* IRA contribution. And if their MAGI does not exceed the MAGI limits, they can make a Roth IRA contribution. This is because there are no age limits for making a contribution to any type of IRA.

Traditional IRA versus Roth IRA

The term traditional IRA refers to an IRA that is not a Roth IRA not an Educational IRA, not a SEP IRA, or is not a SIMPLE IRA. A traditional IRA can be further classified as a deductible or non-deductible IRA. Furthermore, as shown in Table 1, a traditional IRA can also be classified as a spousal IRA in which a nonworking spouse contributes to their own IRA. In other words, with either a traditional or a Roth IRA, only one spouse needs to have earned income in order for both spouses to contribute in any year to their respective IRAs.

Whether or not a Federal employee (and spouse if married) can deduct on their

federal income tax return (as an adjustment to income) a traditional IRA contribution depends on the following circumstances:

- If married, the Federal employee’s spouse status as an active participant in a qualified retirement plan.
- The Federal employee’s modified adjusted gross income (MAGI) (see below).
- The employee’s tax filing status.

MAGI for purposes of determining the deductibility of a traditional IRA contribution is defined as one’s adjusted gross income (which can be viewed on line 11 of page 1 of the

2024 IRS Form 1040) with the following items added back:

- Student loan interest deduction.
- U.S. Savings Bond excluded interest.
- Foreign earned-income exclusion.
- Foreign housing exclusion.
- Tuition and fees deduction.

The MAGI thresholds for deductibility of traditional IRA contributions were changed as part of the Taxpayer Relief Act of 1997. These limits usually increase each year and are shown in Table 2. Federal employees should locate their MAGI in Table 2 for 2025 under the appropriate filing status.

Table 2. Phaseout Ranges for Deductible Traditional IRA Contributions Using MAGI

The deduction for an IRA contribution for an individual covered by a pension plan is subject to phase-out at the 2025 MAGI amounts:	
If married and spouse are not covered by a pension plan:	
Married Filing Jointly:	\$236,000 and \$246,000
Married Filing Separately	\$0 - \$10,000
If married and spouse is covered by a pension plan	
Married Filing Jointly:	\$126,000 to \$146,000
Married Filing Separately	\$0 - \$10,000
Filing as Single or Head of Household	
Filing as Single or Head of Household	\$79,000 and \$89,000

Traditional IRA versus Roth IRA *(continued)*

An individual may elect to deduct (an adjustment to income) less than the permitted deduction for a traditional IRA contribution and increase the non-deductible portion correspondingly. Remember that an individual may own as many IRAs (traditional *deductible* IRA, traditional *non-deductible* IRA, or a Roth IRA) as they want. They may contribute the maximum allowed to any one IRA during 2025 (\$7,000, or \$8,000 if age 50 or older as of December 31, 2025); they may contribute to all IRAs owned provided that

the total contribution does not exceed the maximum allowed for any year. In the case of a spousal IRA, each spouse determines the deductible amount separately.

A *non-deductible* IRA is a traditional IRA in which an individual is unable to deduct the contribution to the IRA on their federal income tax return. The main reason an individual is not able to deduct the contribution is that under current rules, if an individual is covered by and participates in a qualified retirement plan and their MAGI exceeds certain

limits in the year of contribution, then their contribution will not be deductible. These limits are shown in Table 2 for tax year 2025. Note the upper and lower MAGI limits; an individual whose 2025 MAGI falls below the appropriate lower limit would be able to deduct their entire traditional IRA contribution while if their MAGI is above the appropriate upper limit, then no deduction is permitted. An individual whose MAGI is in-between would be able to partially deduct an IRA contribution, as the following example illustrates:

Example 1. Julie, age 35, is single and works for the federal government. During 2025, Julie's MAGI is \$84,000. Julie contributes the maximum permitted (\$7,000) to her traditional IRA during 2025. She also participates in the traditional Thrift Savings Plan and is covered by FERS. Since Julie's MAGI is halfway between the beginning (\$79,001) and the end (\$89,000) of the MAGI phaseout, she will be able to deduct half (\$3,500) of her IRA contribution on her 2025 Federal income tax return as an "adjustment to income". Note: the fact that Julie contributed to the traditional Thrift Savings Plan reduced her MAGI, thereby resulting in her being able to deduct more of her IRA contribution.

The following eight rules apply to a traditional IRA contribution in which the contribution falls between the full-deduction and no-deduction levels:

1. The reduction in the deduction applies ratably. For example, a contribution will be 50 percent deductible if the MAGI is at the

midpoint of the range; that is, an individual IRA with a maximum contribution will be deductible in the amount of \$7,000 and non-deductible in the amount of \$3,500 (for the year 2025 and for someone younger than age 50 as 12/31/2025).

2. IRS Publication 590-A (Contributions to Individual

Retirement Arrangements) has [downloadable worksheets](#) which allow individuals to compute the deductible portion of an IRA contribution. The contribution portion that is not deductible is labeled as a "non-deductible" traditional IRA contribution.

Traditional IRA versus Roth IRA *(continued)*

3. If any amount remains deductible, \$200 is the minimum deductible amount.
4. In the case of a spousal IRA, the \$200 minimum applies to the total deduction on the return. In the case of a joint return in which each spouse is working and contributes to a separate IRA for himself or herself, the \$200 minimum applies separately to each.
5. If the reduction applies so that one spouse has “over-deducted” while the other spouse has contributed less than the maximum deductible, no transfer of deduction limit is permitted between the spouses.
6. A head of household tax-filer follows the single filing status taxpayer rules for reductions in IRA deductible limits.
7. Qualifying widowers or widows follow the married filing joint taxpayer rules for reductions in IRA deductible limits.
8. A Section 501(c)(18) plan is considered an employer plan if the taxpayer made deductible contributions during the year. Such a plan, a special type of tax-exempt trust, must have been (a) created before June 25, 1959, and (b) funded only by employee contributions. The deduction limit is reduced by any contributions to such a plan that the taxpayer made during the year.

Nondeductible IRA contributions should be reported on one’s income tax return by filing IRS Form 8606 (Nondeductible IRAs). By not filing Form 8606, the IRS will not have any record of contributions made to one’s IRA that have been already taxed (because non-deductible IRA contributions have already been taxed, they will not be taxed again upon withdrawal from the IRA). For those years in which Form 8606 was not filed, it can be filed by itself. Unfortunately, there is an IRS penalty every year Form 8606 was not filed.

Why would an individual want to make a nondeductible traditional IRA contribution? After all, are there any benefits if one is unable to deduct their contributions and get immediate tax relief (similar to traditional TSP contributions)? The answer: Tax-deferred growth in the IRA earnings – only the earnings (and not the contributions) will be taxed upon withdrawal. Also, for many individuals whose MAGI exceeds maximum amounts (see below), Roth IRA contributions are not possible. *Therefore, for some individuals a non-deductible, traditional IRA is the only choice.*

A Roth IRA (sometimes referred to as a “back-ended” IRA because its tax benefits occur at the time of distribution rather than at the time of contribution) became available to taxpayers

in 1998. Unlike contributions to a traditional IRA, contributions to a Roth IRA are never tax deductible. Qualified distributions are not subject to federal and state income taxes. Qualified individuals may convert a traditional IRA to a Roth IRA.

Contrary to what many individuals believe, the Roth IRA does not replace the non-deductible traditional IRA. However, many individuals who make non-deductible traditional IRA contributions are typically those individuals whose incomes are above the MAGI limits for making Roth IRA contributions. Therefore, the Roth IRA will effectively replace the non-deductible traditional IRA for those individuals eligible to make a Roth IRA contribution IRA. This is because the Roth IRA generally provides better tax advantages than the non-deductible IRA.

In order to establish and make annual contributions to a Roth IRA, an individual or annuitant must have MAGI below certain limits and in the year of contribution have earned income or married to someone with earned income. Failure to fully meet either requirement could lessen or eliminate an individual’s ability to make a Roth IRA contribution.

Traditional IRA versus Roth IRA *(continued)*

MAGI for determining eligibility to make a Roth IRA contribution is an individual's AGI from their federal income tax return with certain modifications. For most individuals, MAGI will be the same as their AGI. MAGI for a Roth IRA is AGI, with the following items added back:

- Income from U.S. savings bonds used to pay for higher education (shown on IRS Form 8815).
- Foreign earned-income exclusion.

- Foreign housing exclusion or deduction.
- Traditional IRA deduction.
- Tuition and fees deduction.
- Student loan interest deduction.

The MAGI limits for making a Roth IRA contribution during 2025 are shown below in Table 3.

Table 3. Roth IRA Income Contribution Limits (for 2025)

Modified Adjusted Gross Income (MAGI*)	Single, Head of Household	Married Filing Jointly	Married Filing Separately
Less than \$10,000	Full Contribution	Full Contribution	Partial Contribution
\$10,001-150,000	Full Contribution	Full Contribution	No Contribution
\$150,001- 165,000	Full Contribution	Full Contribution	No Contribution
\$165,000 - \$236,000	No Contribution	Full Contribution	No Contribution
\$236,001 - \$246,000	No Contribution	Full Contribution	No Contribution
Greater than \$246,000	No Contribution	No Contribution	No Contribution

**Modified Adjusted Gross Income = Adjusted Gross Income + Student Loan Interest Deduction + Tuition and Fees Deduction + Foreign Earned Income Exclusion + Foreign Housing Exclusion or Deduction + Excluded EE Savings Bond Interest Shown on Form 8815 + Traditional IRA Deduction.*

Traditional IRA versus Roth IRA *(continued)*

The following example illustrates how an individual may or may not be eligible to contribute to a Roth IRA during 2025:

Example 2

Joe, a single Federal employee, has MAGI of \$80,000 for the year 2025. Joe has earned income equal to \$75,000 and investment income of \$5,000. Since Joe's MAGI is less than \$150,000 during 2025, he can make up to a \$7,000 contribution to a Roth IRA for the year 2025 (If Joe were over the age of 50, he could contribute an additional \$1,000 to his Roth IRA for 2020).

Example 3

Peter is married and files a joint return with his wife Elizabeth, a Federal employee. Peter and Elizabeth's MAGI for 2025 is \$248,500. Because their MAGI exceeds the \$246,000 MAGI limit for couples filing as married jointly, neither Peter nor Elizabeth may make a Roth IRA contribution for 2025.

Example 4

Jean works as an air traffic controller for the FAA. Her husband Joseph works as a computer programmer for the Department of Defense. For 2025, Jean's and Joseph's MAGI (they file jointly on their federal income taxes) are \$241,500. The couple falls within the MAGI "phase-out range" for making 2025 Roth IRA contributions. Jean and Joseph must calculate the amount they are eligible for contributing to a Roth IRA for the year 2025 (see below).

If an individual's MAGI is within the "phase-out" range (a partial contribution is allowed), the individual must perform a calculation to determine the maximum contribution amount. The calculation proportionately reduces the amount of the contribution over the phase-out range. For example, if an individual's income falls exactly at the midpoint of the appropriate range (single/ head of household -

\$82,500, married filing jointly - \$241,000), they would be entitled to half of a full Roth IRA contribution, or a \$7,000 contribution for the year 2025. The IRS' method for calculating the contribution amount is presented below.

Note the following when performing these calculations:

1. Minimum \$200 contribution.
An individual is allowed to contribute \$200 to a

Roth IRA if the result from the partial contribution's calculation is more than \$0 but less than \$200

2. Rounding up to the nearest \$10. An individual is allowed to round the contribution up to the next highest \$10 increment when using the calculation below to determine one's contribution amount to a Roth IRA.

Traditional IRA versus Roth IRA *(continued)*

Table 4. IRS Partial Roth IRA Contribution Formula for 2025

If your filing status is	And your MAGI is between
Married, filing a joint return	\$236,001 but less than \$246,000
Married, filing separately, and lived with your spouse during the year	\$0 and \$10,000
Single, head of household, or married filing separately and you did not live with your at any time during the year	\$150,001 but less than \$165,000

If one's MAGI is within the phaseout range for their filing status from the chart above, figure your reduced contribution limit as follows:

- 1 Start with one's MAGI
- 2 Subtract from the amount on line 1:
 - a. \$236,000 if filing a married filing joint return
 - b. \$0 if married filing a separate return and you lived with your spouse at any time during the year; or
 - c. \$150,000 for all other individuals
- 3 Divide the result on line 2 by \$15,000 (\$10,000 if filing a joint return or if married, filing a separate return)
- 4 Multiply the contribution limit (before reduction by this adjustment but after reduction for any contributions to traditional IRAs) by the result on line 3
- 5 Subtract the result on line 4 from one's contribution limit before this reduction. The result is one's reduced contribution limit. Round up the reduced contribution limit up to the nearest \$10. If one's reduced contribution limit is more than \$0 but less than \$200, then increase the limit to \$200

Traditional IRA versus Roth IRA *(continued)*

Example 5 Joseph, age 47, is a single Federal employee with taxable wages of \$145,000 during 2025. Joe wants to make the maximum allowable contribution to his Roth IRA for 2025. His MAGI for 2025 is \$157,000. Joe has not contributed to any traditional IRA during 2025. Joseph's Roth IRA contribution limit before the MAGI reduction is \$7,000. Joe determines his reduced Roth IRA contribution of \$4,800 as follows:

- ① $\text{MAGI} = \$157,000$
- ② $\$157,000 - \$150,000 = \$7,000$
- ③ $\$7,000 / \$15,000 = 0.4667$
- ④ $\$7,000 \text{ (contribution limit before adjustment)} \times 0.4667 = \$3,267$
- ⑤ $\$7,000 - \$3,267 = \$3,733$

Joseph's 2025 Roth IRA contribution limit is limited to \$3,733.

Which Type of IRA - Traditional or Roth - is More Appropriate?

How does a Federal employee decide which IRA is more appropriate for them – a traditional IRA or a Roth IRA? Before answering that question, it is useful to briefly summarize some of the key differences between the Roth IRA and the traditional IRA. These key differences are:

- **Tax treatment of contributions** - Contributions to a Roth IRA are never tax deductible, whereas a tax deduction may be allowed for a traditional IRA contribution.
- **Taxation of distributions** Distributions from a Roth IRA that meet certain qualification requirements are not subject federal and most state income taxes, whereas at least the earnings portion of distribution from a traditional IRA are subject to federal and state income taxes.
- **Eligibility rules for contributions** - The eligibility rules for contributing to a Roth IRA or to a deductible traditional IRA are different based on the IRA owner's tax filing status and the IRA owner's modified adjusted gross income (MAGI).
- **Access to contributions** Contributions to a Roth IRA are generally more accessible to the IRA owner

than contributions to a traditional IRA.

- **Required minimum distributions** - The Roth IRA is not subject to required minimum distribution rules that apply to a traditional IRA.
- **Movement of assets between different types of plans** - The rules for direct rollovers and transfers from different types of retirement plans to a Roth IRA and to a traditional IRA are different. A Roth IRA may not receive assets from a traditional qualified retirement plan such as a traditional 401(k) plan and a traditional 403(b) retirement plan.

In another related question, how does an individual determine whether a Roth IRA or a traditional IRA coordinate better with their retirement plan? In other words, which offers the best tax advantages? Which tax shelter will help build the biggest retirement nest egg?

For newer employees, many of whose average incomes are lower than older employee incomes, the question is somewhat more challenging. These workers may be eligible to deduct their contribution to a traditional deductible IRA.

First, if an employee's income is too high to deduct the traditional IRA contribution, then the Roth IRA is a powerful

addition to an employee's retirement savings arsenal. Even without deducting the contributions, the Roth IRA has clear advantages - primarily the fact that there is no mandatory withdrawal schedule to worry about, and that money in a Roth IRA can also go to an heir tax-free.

What about the financial advantage of getting tax-free income (the Roth IRA) versus taxable (traditional IRA) withdrawals? In reality, there is no guarantee that in the future the Roth IRA will be better than the traditional IRA. One almost needs a "crystal ball" (and a good financial calculator) to know whether it makes sense to give up tax deduction today for tax-free income tomorrow.

The answer is partially dependent on the issue of one's tax bracket at the time of contribution versus one's tax bracket at retirement. At retirement, if an individual is in a lower tax bracket, the traditional, deductible IRA is a better choice; if the worker is in a higher tax bracket at retirement, then the Roth IRA is a better choice.

For most Federal employees who are ineligible to deduct their IRA contribution due to the fact that they are covered by a pension plan and their MAGI exceeds the upper limits, the Roth IRA is probably the best choice.

Conversion from a Traditional IRA to a Roth IRA

Individuals are also given the opportunity to convert traditional (taxable) IRAs into Roth IRAs with the goal of achieving long-term tax savings. For many Federal employees, the tax advantages of the Roth IRA are significantly greater than those obtained through a traditional IRA. If a Roth IRA conversion was performed in 1998, the traditional IRA owner had the option of spreading the amount included in gross income (and subject to income taxes) over a four-year period beginning with that year. After 1998, the entire amount of gross income that is triggered by the conversion of a traditional IRA to a Roth IRA is included in the taxpayer's income in the year of the conversion. Conversions and recharacterizations are discussed in more detail in Chapter 9.

Whether conversion of a traditional IRA to a Roth IRA makes sense for an individual depends on a variety of factors, including the employee's age, current and future income tax brackets, time-frame for when the IRA funds are needed, estate planning objectives, and ability to pay the accelerated income taxes that will become due.

A brief review of the rules for converting a traditional IRA to a Roth IRA is now presented. Under a law that took effect Jan. 1, 2010, any individual - no matter their income, age, or tax filing status - can convert a traditional IRA to a Roth IRA. Before Jan. 1, 2010,

only individuals with modified adjusted gross income less \$100,000 and who did not file as married filing separately could convert a traditional IRA to a Roth IRA.

A non-deductible IRA may be converted to a Roth IRA. In such a conversion, only the portion of the IRA in excess of the IRA after-taxed contribution(s) (the accrued earnings) would be taxed as income. This is the accrued earnings in the non-deductible traditional IRA that have never been taxed.

There is no requirement regarding how long funds must be held in a traditional

IRA before being converted to a Roth IRA. In addition, there is no minimum or maximum age for individuals to convert a traditional IRA to a Roth IRA.

For individuals who are ineligible to contribute to a Roth IRA because their MAGI exceed the limits, it probably makes sense for these individuals to convert a traditional IRA to a Roth IRA. They would otherwise be unable to own a Roth IRA. However, before performing a Roth IRA conversion, the traditional IRA owner is advised to have sufficient liquid funds available to pay the federal and state income taxes due on conversion.

Some Specific Attractions of IRAs

For Federal employees, IRAs can provide some of the following attractions:



- A convenient depository and a disciplined method for annual savings.
- A tax deduction (for some employees) in the form of tax-deductible traditional IRA contributions.
- A way to achieve tax-deferred (traditional IRA) or tax-free (Roth IRA) growth of IRA investment assets.
- A supplemental source of retirement income.
- A source of emergency funds.
- A source of funds for higher education.
- A source of funds for a first home.
- A vehicle for pursuing several investment options.
- A way to retain retirement asset transferability.
- An opportunity to maintain individual control of retirement funds or other funds.
- Another instrument for completing an individual's financial plan.

The key to the savings aspects of IRAs are the tax benefits of IRAs – in particular, the tax-deferred growth (traditional IRA) and the potentially tax-free growth (Roth IRA). A Federal employee may be eligible for an income tax deduction (an adjustment to income deduction on IRS Form 1040) for making a contribution to a traditional IRA. However, it should be remembered that all three types of IRAs (traditional deductible, traditional non-

deductible and Roth) contain IRS penalties if assets are withdrawn prematurely or used for nonqualified reasons in the form of a 10 percent early withdrawal penalty. The penalty could wipe out any tax benefits associated with the IRA.

Another use for a traditional IRA is as a depository for accumulated retirement money from qualified retirement plans including the Thrift Savings Plan (TSP) that most Federal employees participate in.

Since the passage of the Tax Simplification Act of 1986, holding rollover assets from qualified retirement plans has been one of the primary uses of the traditional IRA.

One of the more important reasons that employees (usually, former employees) want to remove assets from a qualified retirement plan is to have more direct control over the investment and distribution of those assets. However, they also do not want to

Some Specific Attractions of IRAs *(continued)*

incur full tax consequences of withdrawing the assets. A direct rollover of the retirement assets to a traditional IRA is a tax-efficient way for maintaining a retirement fund that has

already been developed under another plan.

By requesting a *direct rollover* of assets (rather than a rollover) from a qualified retirement plan to a traditional IRA, an

individual will avoid the 20 percent mandatory federal income tax withholding. Here is an example of a direct rollover of traditional TSP assets to a traditional IRA.

Example 6

Peter, age 56, retires from federal service with \$850,000 in his traditional TSP account. Peter would like to have more investment control over his retirement, as well as more investment choices. He therefore requests online in his account and fills out Form TSP-70 to directly rollover his entire traditional TSP balance to his traditional IRA that is maintained by the XYZ Company as the custodian for his IRA.

Both a Roth IRA and a nondeductible traditional IRA may also be useful as a depository for emergency funds. Both types of IRAs can serve as a source for emergency funds because either IRA owner can always make a penalty-free and tax-free distribution of their IRA contributions at any time and for any reason. However, earnings must remain in the account in order to avoid taxes and early withdrawal penalties.

There is also no limit as to the number of “trustee-to-trustee” transfers (qualified

retirement plan to traditional IRA, traditional IRA to traditional IRA, traditional rollover (or conduit) IRA to a qualified retirement plan that an individual may request. On the other hand, a rollover (in which the individual initially receives the qualified money and has 60 days from the day of receipt to deposit the funds into another qualified plan or into an IRA) may be performed only once in a 365-day period (not necessarily a calendar year). However, each IRA owner has the once-a-year opportunity and an individual

may have as many separate IRAs as they wish to create. The rules limiting rollovers to one each 365-day period apply separately to traditional IRAs and to Roth IRAs.

The 365-day period starts on the day that the amount is received by the IRA owner from the IRA making the distribution. Under a law that took effect January 1, 2015, an IRA owner is allowed to do only one rollover per 365 days. This includes rollovers of traditional and Roth IRAs. The following example illustrates:

Some Specific Attractions of IRAs *(continued)*

Example 7 Bob, a Federal employee, directs the TSP to directly rollover his entire TSP account to a traditional IRA-1. Shortly thereafter, Bob rolls over his traditional IRA-1 to a new traditional IRA-2 within the 60-day rollover period. He is not allowed to perform any more rollovers for the next 365 days, for this or any other traditional IRAs that he may own.

However, there is no limit of direct rollovers from one IRA to another IRA that an IRA owner can make during a 365-day period.

Finally, the traditional IRA and Roth IRA provide powerful ways to help complete a Federal employee's and a federal retiree's financial plan. For the wealthy, an individual financial plan may involve only the need for an emergency fund on a tax-advantaged basis. This could

be accomplished both through a traditional IRA or a Roth IRA. IRAs can be used to fill any gaps in expected cash flow. For example, a Federal employee covered by FERS who retires at age 60 may need additional income to supplement their TSP income until they reach age 62, at

which time the FERS annuitant will apply for a Social Security monthly retirement benefit. Also, as will be discussed in Chapter 10, IRAs may serve as tools to save for a child's higher education expenses and for first-time home buyers.

Qualifications for Contributing to an IRA

In order to be eligible to contribute to any type of IRA, an individual must have earned income. For most Federal employees, earned income means salary/wages (compensation) as shown on an employee's W-2. This is in contrast to investment income (interest, dividends, or capital

gains) or pension income (distributions from the Thrift Savings Plan or civil service retirement).

Earned income also includes tips, commissions, self-employment income and nontaxable combat pay. Also, earned income includes a lump sum payout of unused

annual leave hours. This has implications for Federal employees who retire in late December and request a lump sum payout of accrued leave that they will receive sometime during the next month in January. The following example illustrates:

Example 8

Kevin retired from federal service on December 31, 2024. In January 2025, Kevin received a lump sum payment of his accrued unused annual leave of 240 hours. Because Kevin's unused annual leave lump sum payment check is dated in January 2025, the money received by Kevin is considered as taxable wages for 2025. Kevin will receive a W-2 statement from his agency's payroll processing office in January 2026 showing the annual leave lump sum payment. Furthermore, if Kevin (or spouse, if married) does not work during 2025, he (and spouse if married) is eligible to contribute to an IRA for 2025 based on his lump-sum payment for unused annual leave hours Kevin received during January 2025.

Under the SECURE Act that became law in December 2019, there is no longer an age limit with respect to contributing to a traditional IRA (until the passage of the SECURE Act, starting in the year an individual became 70 1/2, the individual could no longer contribute to a traditional

IRA (even if the individual or the individual's spouse had earned income); for a Roth IRA, there has never been an age limitation with respect to contributing to a Roth IRA.

With married couples, each spouse can contribute to their own IRA even if only one spouse has earned income.

Therefore, a Federal employee who retires but whose spouse continues to work could continue to contribute to their IRA based on the spouse's earned income. The retiree can make what is called a "spousal" IRA contribution.

Adopting (Opening) an IRA

To adopt an IRA, a Federal employee must complete the documentation legally required to make an IRA contribution. “Establishing” is used synonymously for “adopting” in the discussion of IRAs. An IRA (traditional or Roth) must be adopted no later than the federal income tax filing due date (with no extensions) April 15) for an individual wishing to adopt an IRA for the taxable year for what the plan is made effective.

Example 9 George, an individual working for a private company, is a calendar year taxpayer. To adopt an IRA for 2025, George must adopt the IRA no later than April 15, 2026 (it makes no difference whether or not George obtains an extension for filing his 2025 income tax return). All of George’s IRA contributions for 2025 must be made no later than April 15, 2026.

Note that in order to adopt or to establish an IRA, one does not have to actually fund the IRA. However, most individuals do in fact adopt and fund their IRAs simultaneously. Also, an IRA trustee or custodian is required to provide a disclosure statement upon establishment of an IRA. If the funding of the IRA comes after the establishment, the trustee or custodian is not

required to provide additional IRA disclosure.

The following institutions may sponsor IRAs:

1. Banks
2. Brokerages
3. Mutual Fund companies
4. Federal Credit Unions
5. Life Insurance companies

While life insurance companies may sponsor IRAs, they may

not offer life insurance or endowment contracts as IRA investment options.

There is no legal limit as to the number of IRAs that may be established by an individual. However, there is an annual maximum contribution amount that applies in the aggregate to all IRAs (including traditional and Roth IRA’s). Consider the following example.

Example 10 Sally, aged 43, currently owns five IRAs. Three of the IRAs are traditional, nondeductible IRAs that were established in 2014, 2015 and 2016. The other two IRAs are Roth IRAs established in 2020 and 2022. Sally wants to keep funding all of these IRAs because they are invested in several types of mutual funds, providing diversification to Sally’s retirement portfolio. For 2025, Sally can contribute \$1,400 to each of her IRAs, a total of \$7,000 (the maximum contribution amount to IRAs during 2025).

Adopting (Opening) an IRA *(continued)*

Example 11 Same facts as Example 10, except that Sally is age 53. In that case, Sally is entitled to contribute an additional \$1,000 to her IRAs for 2025. Sally decides to contribute an additional \$200 to each of her five IRAs. Sally therefore contributes a total of \$1,600 to each of her IRAs for 2025.

In practice, many trustees and custodians impose minimum dollar limits and charge a custodial fee for each IRA. These custodial fees typically range in price from \$10 to \$100. These custodial therefore discourage individuals from opening multiple IRAs.

In establishing an IRA through 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 function as trustee or custodian.

- For 2025, the trustee or custodian generally cannot accept contributions of more than \$7,000 (\$8,000 if the IRA owner is 50 years or older as of December 31, 2025).
- Contributions must be in checks/cash.
- The IRA owner must have a non-forfeitable right to the IRA at all times.

- Money in the IRA cannot be used to buy a life insurance policy.
- Assets in the IRA cannot be combined with other property except in a common trust fund or common investment fund.
- For traditional (but not Roth) IRAs, distributions from traditional IRA must begin by the traditional IRA owner's "required beginning date" (RBD). A traditional IRA owner's RBD depends on the owner's date of birth and summarized in the following table:

Birth Date	RBD: April 1 following the traditional IRA owner becomes
Before July 1, 1949	70 1/2
July 1, 1949 – December 31, 1950	72
January 1, 1951 – December 31, 1959	73
After December 31, 1959	75

Adopting (Opening) an IRA *(continued)*

The trustee or issuer (sometimes called the sponsor of a traditional IRA owner) must furnish a disclosure statement to the IRA owner. The disclosure statement must explain (in simple terms) how and when the IRA may be revoked including the name, address and telephone number of the person to receive the notice of cancellation. If the IRA is revoked within the revocation period, the sponsor must return in full the entire amount contributed to the IRA.

IRS Forms 5305 and 5305-A are approved IRS documents

that are used in establishing an IRA.

Roth IRAs are adopted in a fashion similar to that for traditional IRAs. The IRA trustee (or custodian) must obtain the potential Roth IRA owner's Social Security number or individual taxpayer identification number when a Roth IRA is being established. Both the Roth IRA owner and the trustee (or custodian) must sign the Roth IRA agreement. A spouse's signature may also be necessary if the Roth IRA owner lives in a community property state and names

someone as beneficiary other than the owner's spouse.

Any financial institution authorized to accept traditional IRA contributions will automatically be approved to accept Roth IRA contributions. Also, there is no limit on the number of Roth IRAs an individual may establish; the overall combined annual contributions to multiple Roth IRAs are limited to the same annual maximum as for a single IRA.

Contributions to Traditional IRAs and Roth IRAs

Federal employees who own IRAs must comply with the following rules, applicable to both traditional IRAs and Roth IRAs.



Contribution Amount

The maximum contribution is the lesser of an individual's earned income or the maximum dollar amount (\$7,000 in 2025). In addition, individuals aged 50 and older have higher limits - \$1,000 per year. The \$7,000 (\$8,000) contribution limit means that Federal employees can contribute to a traditional IRA, to a Roth IRA or to both types of IRAs but their *combined IRA contributions to all IRAs cannot exceed \$7,000/\$8,000 for the year 2025*.



Contribution Deadline

Contributions must be made by the IRA owner's 2025 federal tax filing due date (April 15, 2026), not including extensions.



Spousal IRA Rules

Similar rules apply regarding the ability to make contributions on behalf of lesser-compensated spouses.

There are also contributions rules that are unique to either the traditional IRA or the Roth IRA:

Deductibility rules - Roth IRA contributions are never deductible.

Age limitations - Effective with the SECURE Act passage in December 2019, there are no age limitations for individuals contributing to a traditional IRA. Prior to the SECURE Act passage, an individual could no longer contribute to a traditional starting in the year

the individual became age 70 1/2. This was the case even if the individual had earned income. Since their beginning in 1998, Roth IRAs never had age limitations when it comes to making contributions.

Income limits - The Roth IRA rules place maximum income limits on eligibility to contribute while the traditional IRA rules do not impose income limits on eligibility to make contributions. There are rules whether or not a traditional IRA contribution is tax deductible

(as an adjustment to income). Deductibility depends on the traditional IRA owner's modified adjusted gross income (MAGI) and whether the traditional IRA is covered by a pension plan and/or participates in a qualified retirement plan such as a 401(k) plan and the TSP.

Rollover rules - A traditional qualified retirement plan - for example, a 401(k) or the TSP - may be rolled over to a traditional "rollover" IRA. If this is a direct rollover or a direct transfer, then the rollover or

Contributions to Traditional IRAs and Roth IRAs *(continued)*

transfer is not a taxable event. But a rollover or transfer of a traditional qualified retirement plan to a Roth IRA is a taxable event. As such, the qualified retirement plan owner must pay federal and state income taxes on the amount rolled over or transferred. A Roth retirement plan - for example, a Roth 401(k) plan, Roth TSP, Roth 403(b) plan, or a Roth 457 plan - may be transferred tax-free to a “rollover” Roth IRA. More information on rollover rules is presented in Chapter 9.

Creating multiple IRAs will not increase an individual’s annual contribution limit. For example, if an individual has 10 IRAs, then the individual could contribute \$700 to each IRA for 2025, or a total contribution of \$7,000. But if an individual contributes less than the maximum allowed in a given year is made in a taxable year, the difference may not be carried forward to another year.

IRA owners should be aware that the IRS imposes a

penalty for IRA owners who contribute more than the maximum allowed in a given year. The penalty is equal to 6 percent of the excess amount contributed. The only way to avoid the penalty is for the IRA owner to withdraw the excess contribution no later than the tax filing deadline of April 15th . Note that the penalty is imposed each year, as the following example illustrates:

Example 12 Julie, age 44, contributes \$9,000 to her Roth IRA during 2025. If Julie does not withdraw the excess IRA contribution of \$9,000 less \$7,000 or \$2,000 by April 15, 2026, then Julie will be subject to an excess contribution penalty equal to 6 percent of \$2,000 or \$120 for the year 2025.

Contribution Deadlines

Contributions to a traditional IRA and to a Roth IRA must be made before the filing date for an individual’s income tax return (not including extensions). The contributions are considered to have been made on the last day of the tax year for which the return is filed.

If an individual makes an IRA contribution between January 1 and April 15 (April 15, 2026 for the year 2025), then the individual must instruct their

IRA trustee or custodian about how to report such a contribution to the IRS. That is, if the individual wants to an IRA deduction for the previous year, the trustee, custodian or sponsor of the IRA must be so advised. Otherwise, the sponsor is required to report the contribution as applying to the current year.

However, it is possible that if an IRA contribution is received after the tax filing due date, then it is

in “timely mode.” For example, the IRS recently ruled that a bank could have accepted as timely a mail payment that was postmarked April 12 even though it was not received until April 16. As such, the U.S. Postal Service is treated as an agent, and its cancellation mark is accepted as evidence under general contract law. The IRS has further ruled that the date of the postal service postmark is deemed to be the date of payment.

Planning Point

It would be prudent, even if not legally required, for an individual to diligently follow up with the IRA addressee if the normal confirmation of an IRA contribution is not provided within a reasonable time.

An IRA contribution may nevertheless be made after the tax return that reports the contribution has been filed, as illustrated in the following example:

Example 13 Sarah filed her 2024 income tax return on March 1, 2025. On her federal and state income tax returns, Sarah shows a deductible \$1,000 IRA contribution made for tax year 2024. Even though Sarah has filed her returns for the year 2024, Sarah had until April 15, 2025 to make her \$1,000 contribution for tax year 2024.

If a taxpayer makes an IRA contribution (any type) after the taxpayer's tax filing date and the tax return has already been filed, then the taxpayer has two choices:

1. The taxpayers may file an amended return reversing the deductions (if a deductible IRA contribution) and pay the tax.

2. The taxpayer may file an amended return indicating that the contribution is being made in the current year on a tax return that is expected to be filed in the following year.

Penalties may be imposed depending on how prompt corrective measures are made.

It should be noted that there is no requirement that IRA contributions be continued annually. Also, there is no requirement that the same IRA be used for all contributions. An individual may choose to establish new IRAs for subsequent contributions.

Spousal IRA's



Many individuals who are married can take advantage of the spousal IRA rules for contributing to either a traditional IRA or to a Roth IRA.

In order to take advantage of the spousal IRA rules, a couple must meet the following three requirements:

- They must be legally married
- They must file a joint federal income tax return
- The “receiving” spouse must have less compensation than the spouse making the contribution (or no compensation)

Relocation Incentives *(continued)*

Consider the following two examples:

Example 14 Roger, aged 42 and a Federal employee, is married to Sarah, aged 35 and who is not currently working. Roger and Sarah's MAGI for 2025 is \$80,000. Roger can contribute a maximum \$7,000 to his Roth IRA for 2025, and Roger can also contribute \$7,000 to Sarah's spousal Roth IRA.

Example 15 William, age 73, is married to Barbara, age 71. William is a retired Federal employee while Barbara is currently working for the federal government and intends to retire at the end of 2025. Their MAGI is expected to \$75,000 in 2025. Their MAGI is not expected to rise above \$85,000 over the next few years. Assuming Barbara continues to work, she can contribute the maximum allowed amount (\$8,000 during 2025) to her Roth IRA and to William's spousal Roth IRA – even though William is retired and over age 70 1/2. Note that under the SECURE Act passed into law in December 2019, this same type of contribution could be made to a traditional IRA.

For 2025, the total combined contribution a couple may make each year to both their Roth IRAs and traditional IRAs is the lesser of \$14,000 (\$16,000, if both spouses are over age 50) or the couple's combined compensation (earned income) for 2025. The couple may divide their total contribution in any matter they choose as long as neither

spouse contributes more than \$7,000 /\$8,000 in any type of IRA or combination of IRA's during 2025.

Finally, a spousal IRA is treated in the same way as a regular IRA, with the "earning" spouse having no control over the spousal IRA. The spousal IRA is under the same rules as a non-spousal IRA.

The worksheet presented in the Appendix allows traditional IRA owners to keep track of their contributions to their traditional IRAs for calendar year 2025 as well as keep track of their basis in nondeductible traditional IRAs as shown on **IRS Form 8606 (Nondeductible IRAs)**.

IRA and Retirement Account Rollovers or Transfers

A rollover is in fact a method for moving an individual's IRA or qualified retirement plan assets from a financial institution to a traditional IRA or, in some cases, from one type of retirement plan to another. A rollover generally moves assets without changing the character of the account and, if done properly, will be tax- and penalty-free.

There are several possibilities of performing rollovers, including from one IRA to another, from a qualified retirement account (such as a 401(k) plan or the Thrift Savings Plan) into an IRA, and from an IRA to a qualified retirement account (such as a 401(k) plan or the Thrift Savings Plan). Here are the most common types of rollovers that Federal employees may perform:

- **Traditional IRA to Traditional IRA** - This type of rollover allows for the movement of assets from one traditional IRA to another.
- **Roth IRA to Roth IRA** This type of rollover allows for the movement of assets from one Roth IRA to a new Roth IRA. It generally follows

the same rules as those for a traditional IRA rollover.

- **Traditional qualified retirement plan (including the traditional TSP) to a traditional IRA** - Assets from a qualified retirement plan may usually be rolled over or transferred into a traditional IRA. Note: If the rollover is not a direct rollover (see below), the distribution plan will generally impose federal income tax withholding at a rate of 20 percent on the amount of the distribution that is eligible for rollover. Note that a qualified retirement does not include the CSRS or FERS annuities.
- **Rollover traditional IRA to a traditional qualified retirement plan** - Assets in a "rollover" traditional IRA consisting of previously rollover qualified retirement plan assets may be rolled back into the qualified retirement plan.

It is useful to explain in more detail the difference between a rollover, a direct rollover and a transfer. Individuals may move assets between several types of retirement plans by different means, each having vastly different reporting and tax consequences. Here is a

brief description of the three methods, together with any possible tax consequences.

- **Rollover** - With a rollover, an individual requests and receives a distribution from their traditional IRA (or a qualified retirement plan) and transfers the assets to another traditional IRA or to another qualified retirement plan.
- **Direct Rollover** - With a direct rollover, assets are moved directly from an employer's qualified retirement plan into a traditional IRA or into another qualified retirement plan.
- **Transfer** - A transfer occurs when qualified retirement assets or IRA assets are moved directly from one trustee or custodian to another trustee or custodian.

From a practical standpoint, when an IRA owner is not satisfied with the investment performance of their IRA, the IRA owner would desire to rollover assets of that IRA to another IRA of the same type. Also, some IRA owners also conduct rollovers because they want to use their funds outside of the IRA during the 60-day period (explained below).

Rules for Rollovers from a Traditional IRA to a Traditional IRA

In general, the individual IRA owner must complete a rollover from a traditional IRA to another traditional IRA within 60 days of receipt of the funds, and the individual is allowed only one such rollover **per** 365-day period (not necessarily a calendar year) no matter how many IRAs are owned.

Example 15 Andrea needs to take \$40,000 out of her traditional IRA in response to a family financial emergency. She does this on February 1, 2025. On February 15, 2025, Andrea discovers that the emergency was not as bad as she had imagined, and therefore she rolls the \$40,000 back into her traditional IRA. Since she is within 60 days of receiving the \$40,000 of IRA assets, (period ending April 1, 2025), she will therefore not be subject to any tax on the \$40,000 (temporary) withdrawal.

The IRS interprets the 60-day rule “strictly”. In fact, exceptions to the rule that a rollover must be completed within 60 days are rarely granted. However, effective January 1, 2002, the IRS has had the authority to extend the 60-day rollover period in cases where not doing so would be “against equity or conscience” (e.g., a casualty, disaster, or other event beyond the control of an individual). Also, when the last day of the 60-day period for completion of a rollover falls on a holiday or a weekend, the deadline is extended until the next business day.

Getting an IRA “Up and Running”

There are unlimited choices of how and where to invest IRA money, whether it is a traditional IRA or a Roth IRA, IRA owners have lots of investment choices.

An individual can go to a bank, to a savings and loan institution, or to a credit union. An individual can call a mutual fund family. Or an individual can take control themselves through a “self-directed” account, managed individually and run through a brokerage firm.

The next choice after deciding who will be the custodian of your IRA is to decide specifically how the IRA should be invested; for example, in stocks, bonds, open-end

funds, closed-end funds, exchange traded funds, certificates of deposit, etc.

Of course, the deployment strategy that one selects will depend on one’s age, size of portfolio, tolerance for risk, as well as one’s investments in other retirement plans.

There is no limit as to how many IRAs an individual can own. The one restriction is that an IRA owner’s annual contribution to all the IRAs cannot exceed the IRS’ annual contribution limit. For example, during 2025 an IRA owner younger than age 50 cannot contribute more than a total of \$7,000 to all of their IRAs (traditional IRAs and Roth

IRAs). However, it is important for IRA owners to keep in mind the maintenance and brokerage fees that may have to be paid. The more IRAs owned, the more fees that one may have to pay for IRA maintenance.

However an IRA owner decides to invest in their IRAs, the IRA owner is encouraged to contribute to their IRA as early in their working years as possible. Furthermore, even though IRA owners have until April 15 of the following year to fund the current year IRA(s), it makes sense to make IRA contribution as early in the year as possible, as Table 5 and Table 6 illustrate:

Table 5. \$3,000 per year IRA contribution earning a hypothetical 5%* annualized rate of return

Number of Years From the Beginning Contribution of the First Year	Contribution Made Jan. 1	Contribution Made Dec. 31	Increase in Amount By Investing at Year Beginning
5	\$17,406	\$16,577	\$829
10	\$39,620	\$37,734	\$1,886
15	\$67,972	\$64,736	\$3,226
20	\$104,158	\$99,198	\$4,960
25	\$150,340	\$143,181	\$7,159
30	\$209,282	\$199,317	\$9,965
35	\$284,509	\$270,961	\$13,548
40	\$380,519	\$362,399	\$18,120

*Past Investment Performance is No Guarantee of Future Results

Getting an IRA “Up and Running” *(continued)*

Table 6. \$3,000 per year IRA contribution earning a hypothetical 10%* annualized rate of return

Number of Years From the Beginning Contribution of the First Year	Contribution Made Jan. 1	Contribution Made Dec. 31	Increase in Amount By Investing at Year Beginning
5	\$20,147	\$18,315	\$1,832
10	\$52,593	\$47,812	\$4,781
15	\$104,844	\$95,317	\$9,532
20	\$189,007	\$171,825	\$17,182
25	\$324,545	\$295,041	\$29,504
30	\$542,830	\$493,482	\$49,348
35	\$894,380	\$813,073	\$81,307
40	\$1,460,555	\$1,327,778	\$132,777

**Past Investment Performance is No Guarantee of Future Results*

Note the significant difference between investing one’s IRA consistently in the beginning versus waiting until the end of the year. The differences become quite profound with assumed higher rates of investment return and for longer periods of time (more than 20 years).

In short, it makes sense to start one’s IRA as early in one’s working career as possible and to consistently contribute to the IRA as much as possible. Consider this: A

22-year-old Federal employee invests \$3,000 a year for 40 years in a Roth IRA earning an assumed annualized return of 10 percent (past performance is no guarantee of future performance) could have \$1.5 million in their Roth IRA by the time they retire from Federal service at age 62. And there is no requirement to withdraw any funds from a Roth IRA (unlike the traditional IRA, which minimum required distribution must begin at age 70 1/2 for individuals born

before July 1, 1949, age 72 for individuals born after June 30, 1949 and before January 1, 1951; age 73 for individuals born after December 31, 1950 and before January 1, 1960; and 75 for individuals born after December 31, 1959). This means that the funds can continue to grow tax-free. For example, assuming an average annualized 10 percent rate of return, \$1,460,555 will grow to \$3,836,118 in 10 years and to \$9,997,709 in 20 years.

Distributions from IRAs

For the most part, an IRA owner can request a distribution from a traditional (or Roth, in the case of earnings) before the IRA owner becomes age 59 1/2; however, the IRA owner may be subject to a 10% penalty for premature distribution.

However, there are some exceptions to this penalty, including:

- Becoming permanently disabled.
- Using the IRA money to pay medical bills that exceed 7.5 percent of one's adjusted gross income (AGI).
- Using the money to pay for health insurance premiums during an extensive period of unemployment.
- Using up to \$10,000 to help pay for, or build a first home for themselves, spouse, children, grandchildren – even parents. The \$10,000 is a lifetime limit – not an annual one.
- Using the money to pay higher-education expenses for themselves, spouse, child, or a grandchild. Qualified expenses include tuition fees, and room and board for post-secondary education, including graduate work.
- Take the money out equal in annual amounts, designed to exhaust the account during the course of your life expectancy (as estimated by the IRS). There are also two methods (“amortization” and “annuitization”) that will result in a larger payout than the payments computed using life expectancy. Rules regarding making penalty-free IRA withdrawals before age 59 1/2 are spelled out in Internal Revenue Code Section 72(t).

Note that under the last exception, one may begin withdrawals at any time.

However, in order to avoid the 10 percent penalty, one must continue with the withdrawal method chosen (life expectancy, amortization, or annuitization) for the longer of five consecutive years, or until one becomes age 59 1/2. Otherwise, one will be

subject to a 10% penalty for the entire period retroactive to the first distribution.

A traditional IRA (deductible or nondeductible) owner born before July 1, 1949 can make penalty-free (with respect to the IRS) withdrawals after age 59 1/2 but is not required to make any withdrawals until age 70 1/2. In particular, for traditional

(but not Roth) IRA owners the required beginning date (RBD) for commencing distributions is April 1 of the calendar year following the calendar year in which the owner attains age 70 1/2. For example, an IRA owner who attains age 70 on Feb. 1, 2019 (and thus became 70 1/2 on Aug. 1, 2019) has their RBD on Apr. 1, 2020.

► Under the SECURE Act passed in December 2019, the RMD age was raised from age 70 1/2 to age 72 but only for individuals born after June 30, 1949.

Distributions from IRAs *(continued)*

Ordinarily, the individual who owns an IRA continues to be the owner until death and thus is the recipient of distributions from the IRA. After the death of the IRA owner, the named beneficiaries are permitted to receive distributions pursuant to the terms of the IRA plan document.

On Jan. 11, 2001, the IRS issued new proposed regulation regarding “required minimum distributions” (RMD) for IRA owners who reached their required beginning date (RBD). An IRA owner’s RBD depends on which year the IRA owner was born shown in Table 5:

Table 7. RBD by year of birth

Birth Date	RBD: April 1 following the traditional IRA owner becomes
Before July 1, 1949	70 1/2
July 1, 1949 – December 31, 1950	72
January 1, 1951 – December 31, 1959	73
After December 31, 1959	75

The IRS imposes a 25 percent penalty (25 percent of the amount of the RMD not withdrawn) on IRA owners who are required to make a RMD and do not. Note that the 25 percent penalty is imposed each year an RMD is not performed.

The regulations (that were approved and took effect in 2002) provide for a simple uniform table of life expectancy divisors (**Uniform Lifetime Table**) that with only one exception applies to every IRA owner in calculating their RMD. In order to calculate the

RMD, the IRA owner merely has to determine, for the year of distribution and for their age, the “life expectancy” value as shown in Table 6. Also, the previous December 31 balance (fair market value) of all traditional IRAs is determined and is divided by the life expectancy value in determining the RMD.

The only exception to using the Uniform Lifetime Table is when a traditional IRA owner’s sole beneficiary is the traditional IRA owner’s spouse, and the spouse is more than 10 years

younger than the IRA traditional owner. In that case, because the joint life expectancy would be longer than the life expectancy obtained under the Uniform Lifetime Table, the IRS permits the use of the longer life expectancy called the **Joint Life and Last Survivor Expectancy Table**. This table can be viewed in IRS **Publication 590-B (Distributions from Individual Retirement Arrangements)** which is available [here](#).

Distributions from IRAs *(continued)*

Some examples help illustrate:

Example 16 Iris became aged 73 during 2024. As of Dec. 31, 2023, the total value of Iris' two traditional IRAs was \$210,000. Iris calculates her RMD for the year 2024 as follows: From Table 6 below, Iris' life expectancy is 26 1/2 years. Her RMD is \$210,000 divided by 26.5, or \$7,924.53. In order to avoid a penalty, Iris must request this RMD no later than Apr. 1, 2025. Note that Iris can request more than \$7,924.53; the \$7,924.53 is a minimum amount to be requested in order to avoid the IRS's RMD penalty for the year 2024.

Example 17 Same facts as in Example 1 except that Iris is married to someone who is age 57. In that case, Iris would use the Joint Life and Last Survivor Expectancy Table from IRS Publication 590-B which (for a joint life expectancy of ages 70 and 57) is 31.4. Iris' 2024 RMD would then be calculated as \$210,000 divided by 31.4, or \$6,687.90.

Example 18 Same information as in Example 15 except that the RMD is for the year 2025. On Dec. 31, 2024, the total value of Iris' IRA two accounts decreased to \$187,000. At age 74, (Iris is one year older in 2024), her life expectancy from Table 6 is 25 1/2. Iris's 2025 RMD is therefore calculated as \$187,000 divided by 25.5, or \$7,333.33. Iris must request her \$7,333.33 for the year 2025 no later than Dec. 31, 2025.

Distributions from IRAs *(continued)*

Table 8. The Uniform Table for Computing IRA RMDs

Age	Applicable Divisor	Age	Applicable Divisor
72	27.4	88	13.7
73	26.5	89	12.9
74	25.5	90	12.2
75	24.6	91	11.5
76	23.7	92	10.8
77	22.9	93	10.1
78	22.0	94	9.5
79	21.1	95	8.9
80	20.2	96	8.4
81	19.4	97	7.8
82	18.5	98	7.3
83	17.7	99	6.8
84	16.8	100	6.4
85	16.0	101	6.0
86	15.2	102	5.6
87	14.4	103	5.2

Planning Points for RMDs

1. The rules involving a traditional IRA's MRD affect federal retirees who have reached their RBD (see Table 5).
2. Even though an employee older than aged 70 1/2 can contribute to a traditional IRA (as a result of the passage of the SECURE Act), the employee is still bound by the IRA RMD rules.
3. Employees or annuitants with IRAs and whose sole IRA beneficiary is a spouse more than 10 years younger than the IRA owner, will use the recalculation method for computing MRD. Under this method, the IRA owner uses the actual age of the spouse to determine their true joint life expectancy every year under the IRS tables (see IRS Publication 590-B, 2019 version).

Upon the death of the IRA owner, the identity of the IRA owner's beneficiary is still relevant in the calculation of post-death distribution. Depending on the type of beneficiary that was designated (e.g., spouse, non-spouse or a trust) different rules apply for each type of beneficiary. In some situations, the calculation of post-death distributions also depends on whether the IRA owner died before or after their RBD.

For IRA owners, the primary elective and designations that must be made during their lifetime is the naming of an IRA beneficiary. Under the IRS new rules that took effect on January 1, 2002, the beneficiary designation is somewhat irrelevant (except in the case of a spouse who is more than 10 years younger than the

IRA owner) in the calculation of the traditional IRA owner's RMD.

However, a beneficiary designation has lasting consequences after the IRA owner's death. It is therefore advisable that individuals who own IRAs review the IRA plan documents to determine whether they are accurate. Owners of more than one IRA need to review each IRA's plan documents. An IRA owner may change their beneficiary designation at any point during their lifetime.

Elections and designations under an IRA should be executed by the IRA owner and filed with the IRA trustee (or custodian). A copy of any election or designations filed with an IRA trustee or custodian should be maintained.

Conversion of Traditional IRAs and Recharacterizations

Conversion of Traditional IRAs to Roth IRAs

Since Jan. 1, 2010, the IRS has allowed any individual (no matter their adjusted gross income, age, or tax filing status) to convert their traditional IRAs to Roth IRAs by paying income tax on the portion of the traditional IRA that consisted of *before-taxed dollars*. Before-taxed dollars in a traditional IRA are deductible contributions and accrued earnings.

Many individuals have reasoned, therefore, that since there are no income limits to prevent high earners from making non-deductible contributions to traditional IRAs, and since anyone can convert traditional IRAs to Roth IRAs, high earners can simply contribute to a traditional IRA (with a non-deductible contribution) and convert the traditional IRA immediately to a Roth IRA, thereby legally circumventing income limitation rules and taking advantage of the Roth IRA's valuable benefits. No taxes would be owed on the conversion, they reason, since the converter would be converting the exact amount that he deposited – and on which they have already fully paid income taxes.

But the IRS does not allow traditional IRA converters to identify which dollars are being

converted as they can with shares of stock being sold; for the purpose of determining taxes on conversions the IRS considers a person's non-Roth IRA money to be a single, co-mingled sum. Hence, if an individual has any funds in any non-Roth IRA accounts, it is impossible to contribute to a traditional IRA and then “convert that account” to a Roth IRA as suggested by some individuals. *Conversions must be performed on a pro-rata basis of all IRA money, not on specific dollars or accounts.*

For example: If a person has \$45,000 in a rollover traditional IRA (untaxed money) and then attempts to utilize the strategy above to avoid income limitations on a Roth contribution by making a \$5,000 non-deductible contribution to a traditional IRA and then convert that account to a Roth IRA, the IRS will calculate that they owe taxes on an additional \$4,500 of income – since it will look at the \$50,000 in total non-Roth IRA money as it were one account, and since 90% of that balance (i.e., \$45,000) is untaxed they owe taxes on 90% of the conversion amount of \$5,000 (i.e., \$4,500). Furthermore, after paying taxes on the \$4,500 the

converter will need to track that they have \$4,500 of already-taxed non-rollover money in his Rollover IRA account – which will not only complicate matters from an accounting perspective for years to come, but may also prevent them from rolling the money into an employer's 401(k) plan in the future.

Situations in which pro-rata calculations must be made for conversions are not rare; a significant percentage of today's Federal employees with rather large salaries started working before Roth IRAs were available and contributed to nondeductible traditional IRAs as a result. Many left jobs and moved 401(k) money into rollover IRAs. Others may have accumulated SEP IRAs or SIMPLE IRAs along their career paths as well.

Furthermore, the requirement for pro-rata calculations may affect not only people trying to circumvent Roth IRA income limitations, but also people seeking to convert non-deductible portions of traditional IRA account balances into Roth IRA accounts.

Depositing all of an employee's pre-taxed rollover traditional IRA or contributory deductible traditional IRA money into their

Conversion of Traditional IRAs to Roth IRAs *(continued)*

traditional TSP account prior to making a traditional IRA to Roth IRA conversion may be helpful for some employees.

Those employees who perform Roth IRA conversions during 2025 must report their conversions on IRS Form 8606

(Nondeductible IRAs) when they file their 2025 income tax return in spring 2026. Those individuals who perform conversions of traditional IRAs to Roth IRAs during 2025 must pay the full amount of federal and state income taxes due when they file

their 2025 income taxes. If they owe a huge amount of federal and state income taxes resulting from Roth IRA conversions, then they should talk to a tax professional and consider making quarterly federal and state estimated tax payments.

Recharacterization - The Undoing of a Roth IRA Conversion

Prior to passage of the Tax Cuts and Jobs Act of 2017 (TCJA), an individual who converted a traditional IRA to a Roth IRA was able to “undo” the conversion, provided this was done before the individual filed their current year tax returns. This is called a *recharacterization*.

But as a result of the passage of the Tax Cuts and Jobs Act of 2017 (TCJA), effective Jan. 1, 2018, recharacterizations of converted Roth IRA are no longer permitted. But recharacterization of IRA contributions are still permitted under TCJA, as will now be explained.

Contributions to one type of IRA can be treated as having been to a different type of IRA. For example, contributions to a Roth IRA can be made as treated as contributions to a traditional IRA. This is called *recharacterizing* the contribution.

Why would an individual want to recharacterize an IRA contribution? One possibility would be the example of an individual who, during calendar year 2024, made a Roth IRA contribution and now in January 2025 has received all of their 2024 income information via W-2's and 1099's. The individual

has determined that their 2024 modified adjusted gross income (MAGI) was over the allowable limit for making a 2024 Roth IRA contribution. Above was discussed the annual MAGI limits for making Roth IRA contributions. The individual exceeded the MAGI limit. The individual is eligible to recharacterize the contribution as a *nondeductible traditional IRA contribution*. If the recharacterization is performed in the proper way and before the individual files their 2024 federal income tax return, there will be no tax consequences and no penalties.

Here are two examples that illustrate the recharacterization process:

Example 19 (Traditional IRA contribution is recharacterized). Judy is a Federal employee covered by FERS and contributes to the Thrift Savings Plan (TSP). She contributed \$5,000 to a deductible traditional IRA on Sept. 26, 2024. On Jan. 19, 2025, Judy's traditional IRA is worth \$5,500. She decides to recharacterize \$4,000 of the traditional IRA contribution as a Roth IRA contribution. To accomplish this, Judy requests that \$4,400 (\$4,000 contribution plus \$400 related earnings) be transferred from her traditional IRA to a Roth IRA in a trustee-to-trustee transfer. Judy deducts the \$1,000 traditional IRA contribution on her 2024 Form 1040.

Recharacterization - The Undoing of a Roth IRA Conversion *(continued)*

Example 19
(continued)

She is not required to file IRS Form 8606 (Nondeductible IRAs), but she must attach a statement to her 2024 federal tax return that indicates the following:

1. She contributed \$5,000 to a traditional IRA on Sept. 26, 2024.
2. She recharacterized \$4,000 of that contribution on Jan. 19, 2025 by transferring \$4,000 plus \$400 of related earnings from her traditional IRA to a Roth IRA in a trustee-to-trustee transfer.
3. The entire \$1,000 of the remaining IRA contribution is deducted (as an adjustment to income) on her 2024 Form 1040.

Judy does not report the \$4,400 distribution from her traditional IRA on her 2024 Form 1040 because the distribution occurred in 2025. She does not report the distribution on her 2025 Form 1040 because the recharacterization was related to 2024 and was explained in an attachment to her 2024 tax return.

Example 20

(Roth IRA contribution is recharacterized). Kevin is a Federal employee. He contributed \$4,000 to a new Roth IRA on June 15, 2024. On January 21, 2025, Kevin determined that his 2024 modified adjusted gross income (MAGI) will allow him to fully deduct a traditional IRA contribution. He decides to recharacterize the Roth IRA contribution as a traditional IRA contribution. He has the \$4,200 Roth IRA balance (\$4,000 contribution plus \$200 accrued earnings) transferred from his Roth IRA to a traditional IRA in a trustee-to-trustee transfer on January 21, 2025. Kevin then deducts (as an adjustment to income) the \$4,000 traditional IRA contribution on his 2024 federal income tax return. He is not required to file Form 8606 (Nondeductible IRAs), but must attach a statement to his 2024 federal income tax return that indicates that:

1. He contributed \$4,000 to a new Roth IRA on June 15, 2024.
2. He recharacterized the contribution on January 21, 2025 by transferring \$4,200, the balance in the Roth IRA, to a traditional IRA in a trustee-to-trustee transfer.
3. \$4,000 of the traditional IRA contribution is deducted (as an adjustment to income) on his 2024 federal income tax return.

He includes the \$4,200 distribution from the Roth IRA on the line for "IRA distributions" on his 2024 federal income tax return.

How to Recharacterize an IRA Contribution

To recharacterize an IRA contribution, the contribution must be transferred from the first IRA (the one to which the contribution was made) to the second IRA *in a direct trustee-to-trustee transfer*. The deadline for the transfer is the due date (including extensions) for the tax return for the year for which the contribution to the first IRA was made. This means that any individual who wants to recharacterize an IRA contribution made for the year 2024 has until October 15, 2025 (the extension

deadline for filing 2024 income tax returns).

Individuals who recharacterize their IRA contributions (from a nondeductible traditional IRA contribution to a Roth IRA, or from a Roth IRA to a nondeductible traditional IRA contribution) must do all of the following:

- Instruct the first IRA trustee to *directly transfer* the contribution, as well as any net income allocable to it, to the second IRA. If there was a loss, the

net income transferred may be a negative amount (in most cases, the net income allocable to the transfer is determined by the IRA trustee or custodian).

- Report the recharacterization on **IRS Form 8606** of their federal tax return for the year during which the contribution was made (see below).
- Treat the contribution as having been made to the second IRA on the date that it was actually made to the first IRA.

Reporting a Recharacterization

Individuals who elect to recharacterize a 2024 IRA contribution to one kind of IRA (Roth or non-Roth) as a contribution to another type of IRA must report the recharacterization on their 2024 federal income tax return as directed by IRS Form 8606 and its instructions. To the extent a contribution is recharacterized, it is treated on the tax return as having been made to the second IRA. In addition, a statement that explains the recharacterization must be attached to the 2024 federal income tax return.

When an individual recharacterizes an IRA contribution, the IRA trustee of the first IRA (the IRA to which the contribution originally was made) must report the amount contributed before the recharacterization as *recharacterized contributions* on **Form 5498 Box 4 (IRA Contribution Information) (2025 version)** and the recharacterization as a *distribution* on **2024 Form 1099-R (Distributions from Pensions, Annuities, Insurance Contracts)**. A

2019 Form 1099-R reporting the recharacterized amount as a distribution should show the following codes in Box 7:

Code N if the contribution and recharacterization both occurred in 2025

Code R if the contribution was made for 2024, but recharacterized in 2025

Reporting a Recharacterization *(continued)*

The trustee of the second IRA is required to issue another Form 5498 for 2025 reporting the fair market value of the IRA received on Form 5498 in Box 4.

Table 9 summarizes the reporting of a recharacterization of an IRA contribution:

Table 9. Reporting a Recharacterization

Initial Contribution	Recharacterization	Report on IRS Form 8606	Recharacterization and Contribution in the Same Year
Contribution to a nondeductible traditional IRA	Transfer to a Roth IRA	Only the part, if any, of the contribution that is not recharacterized (the amount left in the traditional IRA) to the extent it is nondeductible.	Amount transferred from the traditional IRA to the Roth IRA
Contribution to a Roth IRA	Transfer to a nondeductible traditional IRA	Only the part, if any, of the contribution that is recharacterized to the traditional IRA, to the extent it is nondeductible	Amount transferred from the Roth IRA to the traditional IRA

Finally, under the Tax Cuts and Jobs Act of 2017 (TCJA), effective Jan. 1, 2018, a conversion from an existing traditional IRA, SEP IRA, or a SIMPLE IRA to a Roth IRA cannot be recharacterized. TCJA also prohibits recharacterizing amounts rolled over to a Roth IRA from other retirement plans, such as the traditional TSP, 401(k) or 403(b) retirement plans. Therefore, with the passage of TCJA, a recharacterization can only be performed to recharacterize contributions made to traditional IRAs and Roth IRA contributions, as discussed and illustrated above.

Other Uses of IRAs Besides Retirement Savings

Individuals under the age of 59 1/2 who withdraw funds from a traditional IRA during the year may not be subject to the 10 percent early withdrawal penalty tax if the funds are used to pay for:

1. Higher education expenses
2. Buying, building or rebuilding a first home

With respect to paying higher education expenses, qualifying expenses include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an eligible educational institution. In addition, if the individual is at least a half-time student, room and board are considered qualifying expenses.

The educational expenses must be for the individual IRA owner, for a spouse, or for children or grandchildren. Other relatives (e.g., a nephew or a niece) do not qualify.

Eligible educational institutions include any college, university, vocational school, or other post secondary educational institution eligible to participate in the student aid programs administered by the Department of Education. Most educational institutions should be able to determine if they are an eligible educational institution.

Keep in mind that even though the 10 percent early withdrawal

penalty for pre-age 59 1/2 traditional IRA withdrawals is avoided by using the funds to pay for qualifying expenses, ordinary income taxes (federal and state) are still due. This includes federal taxes resulting from withdrawals on the entire amount from a *deductible* traditional IRA (contributions and earnings), while for a *non-deductible* traditional IRA federal taxes are due only on the accrued earnings. In the case of Roth IRAs, only accrued earnings (interest, dividends) are subject to a minimum holding period of 5 years; if the earnings are withdrawn for a qualified purpose (e.g., paying for qualified educational expenses or for buying a first home) they are not subject to a 10 percent early withdrawal penalty. Also, with a Roth IRA all contributions may be withdrawn at any time with no penalty.

There will also be no 10 percent additional tax on distributions from IRAs in which funds are used to buy, build, or rebuild a first home. An individual may withdraw during their lifetime no more than \$10,000 from their IRA for this purpose. Therefore, for a married couple, in which both spouses have IRAs, each spouse can receive distributions up to \$10,000 in order to buy a first home (a total of \$20,000 in a lifetime) without having to pay the 10 percent additional tax.

In order for individuals to avoid a penalty on pre-age 59 1/2 IRA withdrawals as a first-time home buyer, the withdrawal must meet all the following requirements:

- It must be used to pay qualified acquisition costs before the close of the 120th day after the day the distribution is received.
- It must be used to pay qualified acquisition costs for the main home of a first-time homebuyer who is one of the following:
 - IRA owner
 - IRA owner's spouse
 - IRA owner's child/stepchild
 - IRA owner's grandchild/step-grandchild
 - IRA owner's parents or parents-in-laws

Qualified acquisition costs include:

- Costs of buying, building or rebuilding a home
- Settlement, financing or other closing costs

An obvious question is: Who is a first-time homebuyer? The IRS defines a first-time homebuyer as an individual who has no present interest in a main home during the 2-year period ending on the date of acquisition of the home which the IRA distribution is being used to buy, build or rebuild. For married couples buying a first home, both spouses must meet this no-ownership requirement.

Planning Points for “Early” IRA Withdrawals

1. The \$10,000/\$20,000 penalty-free IRA withdrawal option is another source of funds for individuals to pay for the increasing costs of higher education as well as for paying for a first home.
2. In the case of first-home purchasers, many IRA owners live in high-cost metropolitan areas in which the cost of housing is prohibitive. Having another source of funds to pay for the cost of buying a first home should help many individuals.
3. Individuals who retire and who also sell their principal residences may want to wait at least two years before purchasing another residence. In so doing, their new home will be considered a “first” home and IRA funds may be tapped to help pay for the purchase of the new home. Coupled with the \$250,000/\$500,000 capital gain exclusion upon the sale of a principal residence (Internal Revenue Code Section 121), individuals have an additional incentive and resources in which to pay for the increasing cost of housing.
4. IRA distributions to pay for qualified educational expenses may be used in conjunction with other “tax-favored” programs (such as Coverdell Educational Savings Accounts and 529 plans) to help eligible Federal employees pay for the increasing costs of higher education.

Estate Planning and IRAs

For individuals, estate planning decisions depend primarily on the size of the expected estate. Complexities can be great, however, even when the estate is small. Larger estates (e.g., over \$14 million) usually require planning to start much earlier than it would be for a smaller estate. It may be necessary in some cases to call in experts – attorneys, accountants, and life insurance specialists, for additional consultation with regard to estate planning.

With regard to IRAs, the strategy that provides the greatest flexibility after the owner's death is to designate the surviving spouse as the primary beneficiary because

they can perform a spousal rollover of the decedent's IRA, or alternatively, disclaim in favor of a younger beneficiary. Individuals may also give the IRA directly to children, bypassing the spouse. Trusts may also be appropriate. Therefore, even for smaller estates, the IRA owner may need professional advice as to who is the best individual or entity to name as beneficiary of an IRA.

IRAs are distinguished from other assets in the area of estate planning. This is because of their ability to generate tax deferral (in the case of a traditional IRA) or tax-free income (in the case of a Roth IRA) after the death of the IRA owner. Note that even qualified

retirement plan's assets at the time of their death may not be rolled over to an IRA if the beneficiary is not the surviving spouse.

Unfortunately, when many IRA owners (particularly traditional IRAs) die, their families sometimes cash in the IRAs and pay the income taxes rather than deal with the complications. That is extremely short-sighted – continuing the IRA and deferring taxes will generally produce significantly greater savings. A well-advised IRA owner will allow their family that choice by making the proper choices and provisions.

General Rules on IRA's With Respect to Estate Taxes

IRAs (this includes both traditional IRAs and Roth IRAs) are part of an IRA owner's gross estate and are taxed in the same manner as qualified retirement plan benefits (such as the TSP).

For traditional IRAs, any IRA distribution after the IRA owner's death is treated as income in respect of a decedent (IRD) and therefore may be taxed. If an estate tax is also imposed on the distribution, however, the recipient of the distribution is entitled to a deduction against the income tax for the portion of the net federal estate tax that resulted from the same distribution.

One must also keep in mind that while income taxes on a

traditional IRA must be paid at the time of distribution, the distribution may be delayed until April 1 following the year in which the traditional IRA owner turns age 70 1/2 (if born before July 1, 1949; age 72 if the traditional IRA owner was born after June 30, 1949 and before January 1, 1951; age 73 if the traditional IRA owner was born after December 31, 1950 and before January 1, 1960; and age 75 if the traditional IRA owner was born after December 31, 1959). In other words, there is a point at which distribution from the traditional (but not the Roth) IRA must begin (as well as pay federal and state income taxes on the traditional IRA distribution).

Income tax planning and estate tax planning are therefore not mutually exclusive activities. Both are important in providing adequately for the needs of the IRA owner's spouse or other individuals chosen by the owner to be heirs. Note that income taxes cannot be eliminated; also, tax-deferred accumulation of an IRA can produce a sizeable increase in the value of the estate. A significant increase in the estate over the applicable estate tax exemption amount may require estate planning for the surviving spouse and other chosen family members.

IRA Beneficiaries

A number of factors should be considered by an IRA owner, traditional IRA and Roth IRA, when naming their IRA beneficiary.

These factors include:

1. The IRA owner's and spouse's or other beneficiary's health and financial needs
2. A spouse's dependence on IRA distributions
3. The IRA owner's desire to pass IRA assets to heirs

A beneficiary is also significant because the beneficiary's life expectancy is generally used after the IRA owner's death in applying the required minimum distribution (RMD) rules provide the person qualifies as an eligible designated beneficiary.

Who is the IRA Beneficiary?

A beneficiary is an individual or other entity who is entitled to the benefit under a contingent to the IRA owner's death or another qualified event.

The following are some suggestions for managing IRA beneficiary:

- Review designations upon any change in a life event, especially when a divorce occurs, or a beneficiary dies

- Keep a copy of the beneficiary designation form
- Always name a contingent beneficiary
- Be sure to read and understand the IRA document which controls the actual available choices

How the Named Beneficiary Affects IRA Required Minimum Distributions (RMDs)

Besides controlling who receives the IRA funds at the death of the IRA owner, naming a beneficiary directly impacts how long funds in the IRA can remain in their tax-deferred (traditional IRA) or tax-free (Roth IRA) account after the IRA owner's death.

If the beneficiary is an eligible designated beneficiary, then post-death required minimum distributions (RMDs) can be made over the beneficiary's life expectancy.

On the other hand, a 10-year rule applies to non-qualified designated beneficiaries, those beneficiaries other than eligible designated beneficiaries. Under the 10-year rule, the entire inherited IRA must be distributed on or before December 31 of the year in which the tenth anniversary of the IRA owner's death occurs.

An eligible designated beneficiary is:

1. The surviving spouse of the IRA owner

2. A disabled or chronically ill individual
3. A minor child of the IRA owner
4. Any other individual no more than 10 years younger than the IRA owner

For the purpose of computing IRA RMDs, only the following are designated beneficiaries:

1. Individual
2. Qualified Trusts

Note that although a charity or the IRA owner's estate

How the Named Beneficiary Affects IRA Required Minimum Distributions (RMDs) *(continued)*

can be named as the IRA beneficiary, these entities are not designated beneficiary under the RMD rules. That means that if a charity or the IRA owner's estate is he named beneficiary as of September 30 following the year of the IRA

owner's death, then the RMDs must be calculated as if there is no beneficiary.

The determination of an IRA owner's beneficiary for computing RMDs can be made as late as September 30 of the year following the year of the

IRA owner's death. Therefore, a beneficiary at the time of the IRA owner's death may be disregarded for calculating the RMD if that person or entity is not a beneficiary on September 30 of the year following the year of the IRA owner's death.

Naming a Spouse as an IRA Beneficiary

A spouse is the most common beneficiary of IRA assets. There are several financial reasons for this, the most important of which is spousal need for funds after the IRA owner's death. But there are other reasons that naming a spouse is advantageous, as presented in the following table.

Table 10. Advantages of a Spouse as IRA Beneficiary

If the	Advantage of naming the spouse as beneficiary
Spouse is more than 10 years younger than the IRA owner	The IRA owner's lifetime RMD can be calculated over the joint life expectancy of the IRA owner and spouse
IRA owner dies before required beginning date, or any age for a Roth IRA owner	RMDs to the surviving spouse can be postponed until the later of the year: <ol style="list-style-type: none"> 1. Following the IR owner's death 2. In which the IRA owner would have reached RBD RMDs based on surviving spouse life expectancy
IRA owner dies on or after their RBD	RMDs are calculated using the larger of: <ol style="list-style-type: none"> 1. Surviving spouse's single life expectancy 2. IRA owner's remaining life expectancy
IRA owner dies, the surviving spouse can make an election	Eligible distributions may be rolled over into surviving spouse's own IRA
IRA owner dies, the surviving spouse can make an election	Entire account (less any RMD) can be rolled over into an IRA in surviving spouse's name
IRA owner's estate is a taxable estate	Payment of estate tax may be deferred through the unlimited marital deduction

Special Rules for Surviving Spouse

If an IRA owner dies before their required beginning date (RBD), then RMDs to the surviving spouse can be postponed until the later of the Year:

1. Following the IRA owner's death
2. In which the IRA owner would have attained age 72, 73, or 70 1/2. At that time, the IRA RMDs must be paid over the surviving spouse's life expectancy

The surviving spouse may elect to treat their decedent spouse's IRA as their own if the surviving spouse is the sole beneficiary of the account and has an unlimited right to withdraw from the account.

Nonspouse Beneficiary

Selecting a non-spouse IRA beneficiary, such as a child, grandchild, niece, nephew or other non-spouse beneficiary, will not result in all of the advantages available to spouses who are named as IRA beneficiaries.

Despite the less favorable tax treatment, selecting a nonspouse as IRA beneficiary such as a child may be the natural choice such as when the IRA owner is unmarried, widowed, or divorced.

A married IRA owner may name a beneficiary other than the spouse to:

1. Provide for the beneficiary's financial needs
2. Benefit children from a previous marriage.

Married IRA owners should consider the following:

- Naming the spouse as the primary beneficiary and other beneficiaries as contingent beneficiaries

generally will maximize post-mortem planning opportunities. The surviving spouse can disclaim all or a portion of the IRA.

- Under the RMD rules, selecting a nonspouse beneficiary does not lengthen the IRA owner's lifetime RMD period as certain spousal beneficiaries – spouses more than 10 years younger than the IRA owner – can do. It can, however, lengthen the post-death period.

RMDs for a Nonspouse IRA Beneficiary

When the IRA owner dies before their RBD, RMDs for designated nonspouse designated beneficiaries will generally be required to be distributed over a period not longer than 10 years, starting the year after death. This is true unless the beneficiary is an "eligible designated

beneficiary" (see above). An eligible designated beneficiary has the option of receiving the inherited IRA assets over their life expectancy rather than having to have the inherited IRA assets paid out within 10 years of the death of the IRA owner.

When an IRA owner dies after their RBD, RMDs for the nonspouse beneficiary are required to be distributed over a 10-year period unless the beneficiary is an eligible designated beneficiary. Distributions must begin by December 31 of the year after the IRA owner's death.

Appendix

Summary Record of Traditional IRA(s) for 2025 (Keep This for Your Records)

Name _____

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

I became age: 59 1/2 on _____ I become age: 70 1/2 (72) _____
 (month) (day) (year) (73) on (month) (day) (year)

Contributions

Name of traditional IRA	Date	Amount contributed for 2025	Check if it is a rollover contribution	Fair Market Value of IRA as of Dec. 31, 2024, from Form 5498
1.				
2.				
3.				
4.				
5.				
TOTAL				

Total contributions deducted on tax returns \$ _____

Total contributions treated as nondeductible on Form 8606 _____

Distributions

Name of traditional IRA	Date	Amount of distribution	Reason (e.g., for Retirement, rollover, conversion, withdrawal of excess contributions, etc.)	Income earned on IRA	Taxable amount reported on income tax return	Nontaxable amount from Form 8606, line 13
1.						
2.						
3.						
4.						
5.						
TOTAL						

Basis of all traditional IRAs for 2025 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 *(continued)*

Worksheet for Determining Required Annual Distributions

Name of traditional IRA	70 ½	71 ½	72 ½	73 ½	74 ½	75 ½
1. Age						
2. Year age was reach						
3. Value of IRA at the close of business in December 31 of the year immediately prior to the year on line 2 ¹						
4. Distribution period from Table A6 or lif expectancy or from IRS joint life expectancy from IRS Publication 590						
5. Required distribution (divide line 3 by line 4) ³						

¹If you have more than one IRA, you must figure the required distribution separately for each IRA.

²Use the appropriate life expectancy or distribution period for each year and for each IRA.

³If you have more than one IRA, you must withdraw an amount equal to the total of the required distributions figured for each IRA. You can, however, withdraw the total from one IRA or from more than one IRA.

Appendix (continued)

Form 8606 Department of the Treasury Internal Revenue Service	Nondeductible IRAs Attach to 2024 Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form8606 for instructions and the latest information.	OMB No. 1545-0074 <div style="text-align: center; font-size: 2em; font-weight: bold;">2024</div> Attachment Sequence No. 48
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Name. If married, file a separate form for each spouse required to file 2024 Form 8606. See instructions. Your social security number

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).	
	Foreign country name	Foreign province/state/county

Part I Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, Traditional SEP, and Traditional SIMPLE IRAs

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2024.
- You took distributions from a traditional, traditional SEP, or traditional SIMPLE IRA in 2024 and you made nondeductible contributions to a traditional IRA in 2024 or an earlier year. For this purpose, "distributions" **does not** include rollovers (but does include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, it **does not** include qualified charitable distributions, one-time distributions to fund an HSA, conversions, recharacterizations, or returns of certain contributions.
- You converted part, but not all, of your traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024 and you made nondeductible contributions to a traditional IRA in 2024 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2024, including those made for 2024 from January 1, 2025, through April 15, 2025. See instructions	1	
2	Enter your total basis in traditional IRAs. See instructions	2	
3	Add lines 1 and 2	3	
	In 2024, did you take a distribution from traditional, traditional SEP, or traditional SIMPLE IRAs, or make a Roth, Roth SEP, or Roth SIMPLE IRA conversion?		
	No — Enter the amount from line 3 on line 14. Do not complete the rest of Part I. Yes — Go to line 4.		
4	Enter those contributions included on line 1 that were made from January 1, 2025, through April 15, 2025	4	
5	Subtract line 4 from line 3	5	
6	Enter the value of all your traditional, traditional SEP, and traditional SIMPLE IRAs as of December 31, 2024, plus any outstanding rollovers. Subtract certain 2024 retirement plan distribution repayments treated as rollovers, if any (see instructions)	6	
7	Enter your distributions from traditional, traditional SEP, and traditional SIMPLE IRAs in 2024. Do not include rollovers (but do include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, do not include qualified charitable distributions; a one-time distribution to fund an HSA; conversions to a Roth, Roth SEP, or Roth SIMPLE IRA; certain returned contributions; or recharacterizations of traditional IRA contributions (see instructions)	7	
8	Enter the net amount you converted from traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024. Also, enter this amount on line 16	8	
9	Add lines 6, 7, and 8	9	
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000"	10	x
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth, Roth SEP, or Roth SIMPLE IRAs. Also, enter this amount on line 17.	11	
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth, Roth SEP, or Roth SIMPLE IRA	12	
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions	13	
14	Subtract line 13 from line 3. This is your total basis in traditional IRAs for 2024 and earlier years	14	
15a	Subtract line 12 from line 7	15a	
b	Enter the amount on line 15a attributable to qualified disaster distributions, if any, from 2024 Form(s) 8915-F (see instructions). Also, enter this amount on 2024 Form(s) 8915-F, line 18, as applicable (see instructions)	15b	
c	Taxable amount. Subtract line 15b from line 15a. Reduce that amount by certain 2024 retirement plan distribution repayments (other than those reported on Form 8915-F) that are treated as rollovers (see instructions). If more than zero, also include this amount on 2024 Form 1040, 1040-SR, or 1040-NR, line 4b Note: You may be subject to an additional 10% tax on the amount on line 15c if you were under age 59½ at the time of the distribution. See instructions.	15c	

Appendix *(continued)*

Form 8606 (2024)

Page **2**

Part II 2024 Conversions From Traditional, Traditional SEP, or Traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs

Complete this part if you converted part or all of your traditional, traditional SEP, and traditional SIMPLE IRAs to a Roth, Roth SEP, or Roth SIMPLE IRA in 2024.

16	If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024	16
17	If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions)	17
18	Taxable amount. Subtract line 17 from line 16. If more than zero, also include this amount on 2024 Form 1040, 1040-SR, or 1040-NR, line 4b	18

Part III Distributions From Roth, Roth SEP, or Roth SIMPLE IRAs

Complete this part only if you took a distribution from a Roth, Roth SEP, or Roth SIMPLE IRA in 2024. For this purpose, a distribution **does not** include a rollover (but does include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, it **does not** include a qualified charitable distribution, one-time distribution to fund an HSA, recharacterization, or return of certain contributions (see instructions).

19	Enter your total nonqualified distributions from Roth, Roth SEP, and Roth SIMPLE IRAs in 2024, including any qualified first-time homebuyer distributions, and any 2024 retirement plan distributions whose repayments are treated as rollovers (see instructions)	19
20	Qualified first-time homebuyer expenses (see instructions). Do not enter more than \$10,000 reduced by the total of all your prior qualified first-time homebuyer distributions	20
21	Subtract line 20 from line 19. If zero or less, enter -0-	21
22	Enter your basis in Roth, Roth SEP, and Roth SIMPLE IRA contributions (see instructions). If line 21 is zero, stop here	22
23	Subtract line 22 from line 21. If zero or less, enter -0- and skip lines 24 and 25. If more than zero, you may be subject to an additional tax (see instructions)	23
24	Enter your basis in conversions from traditional, traditional SEP, and traditional SIMPLE IRAs and rollovers from qualified retirement plans to a Roth, Roth SEP, or Roth SIMPLE IRA. See instructions	24
25a	Subtract line 24 from line 23. If zero or less, enter -0- and skip lines 25b and 25c	25a
b	Enter the amount on line 25a attributable to qualified disaster distributions, if any, from 2024 Form(s) 8915-F (see instructions). Also, enter this amount on 2024 Form(s) 8915-F, line 19, as applicable (see instructions)	25b
c	Taxable amount. Subtract line 25b from line 25a. Reduce that amount by certain 2024 retirement plan distribution repayments (other than those reported on Form 8915-F) that are treated as rollovers (see instructions). If more than zero, also include this amount on 2024 Form 1040, 1040-SR, or 1040-NR, line 4b	25c

Sign Here Only if You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	Firm's EIN			
	Firm's address	Phone no.			

Form **8606** (2024)

Notes