# Can I contribute to an IRA?

An Individual Retirement Account (IRA) is an account that gives you tax advantages for your retirement savings. This letter explains the allowed contribution amounts for both traditional and Roth IRAs, and how IMRF participation impacts traditional IRA deductions.

**2016 Contribution Limits**

For tax year 2016, IRA contributions are limited to a **total** of $5,500 ($6,500 if over age 50), regardless of the type of IRA or how many you have. Your total contributions to any combination of IRAs cannot exceed this limit.

To make a $5,500 contribution you must have at least $5,500 of taxable compensation. Depending on your income, you may be limited in what you can contribute to a Roth IRA.

*Your spouse may also make a $5,500 ($6,500 if over age 50) IRA contribution, provided he or she either has taxable compensation equal to or greater than the IRA contribution, or files a joint return where the taxable compensation is greater than the IRA contribution for both you and your spouse.*

## Traditional IRAs

One tax advantage of a traditional IRA is that you can deduct the amount you contribute from your taxable income. However, there are limitations on what you can deduct if you are covered by a pension plan.

**When am I covered by a pension plan?**

The IRS considers you to be covered by a pension plan as of **the first day you started working** in a job that qualified for IMRF participation—even if you are not vested or elected not to participate. Each year your employer will send you and the IRS a W-2 with "Retirement Plan" checked in Box 13, indicating you are covered by a pension plan.

**Traditional IRA Deduction Rules for 2016**

| For single members | |
|---|---|
| **If your adjusted gross income is...** | **You can deduct...** |
| Under $61,000<br>*($62,000 for 2017)* | Your entire IRA contribution |
| Over $61,000 but under $71,000<br>*(Over $62,000 but under $72,000 for 2017)* | The amount you can deduct is reduced. Refer to IRS publication 590-A. |
| Over $71,000<br>*(Over $72,000 for 2017)* | Nothing; your entire contribution is non-deductible |

**Traditional IRA Deduction Rules for 2016, continued**

| For married members who file jointly | |
|---|---|
| **If your adjusted gross income is...** | **You can deduct...** |
| Under $98,000 *(Under $99,000 for 2017)* | Your entire IRA contribution |
| Over $98,000 but under $118,000 *(Over $99,000 but under $119,000 for 2017)* | The amount you can deduct is reduced. Refer to IRS publication 590-A. |
| Over $118,000 *(Over $119,000 for 2017)* | Nothing; your entire contribution is non-deductible |

| For married members who file separately | |
|---|---|
| **If your adjusted gross income is...** | **You can deduct...** |
| Between $0 and $10,000 | The amount you can deduct is reduced. Refer to IRS publication 590-A. |
| Over $10,000 | Nothing; your entire contribution is non-deductible |

**If You Make Non-deductible Contributions**

If you are not allowed to deduct an IRA contribution, you can still make a non-deductible IRA contribution to a traditional IRA with the same $5,500 limit ($6,500 if over age 50).

If you make non-deductible contributions to a traditional IRA, you must complete IRS Form 8606. This form details the deductible and non-deductible money in your IRA so you will not pay tax a second time when you withdraw your non-deductible contributions. Each withdrawal you make must include a proportionate amount of taxable earnings.

## Roth IRAs

Contributions you make to a Roth IRA are not deductible from your taxable income. In addition:

- Earnings in the account are not taxed if you withdraw them after age 59-1/2, and you have had the account at least five years.
- There is no minimum withdrawal requirement at age 70-1/2.
- Lump sum payments (for example, separation refunds or lump sum death benefits) from IMRF can be rolled over to the Roth IRA. However, for taxes this is a taxable distribution. It is treated as if the lump sum was rolled over to a traditional IRA and then converted to a Roth IRA. You should verify with your tax advisor that you are eligible to convert an IRA to a Roth IRA.

*Unlike a traditional IRA, you can make contributions to a Roth IRA after you reach age 70-1/2, as long as you have sufficient earned income.*

**Roth IRA contribution rules for 2016**

| For single members | |
|---|---|
| **If your adjusted gross income is...** | **You can contribute...** |
| Under $117,000 *(Under $118,000 for 2017)* | Up to $5,500 ($6500 if over age 50) |
| At least $117,000 but under $132,000 *(At least $118,000 but under $133,000 for 2017)* | The amount you can contribute is reduced. Refer to IRS publication 590-A. |
| $132,000 or more *($133,000 for 2017)* | You cannot contribute to a Roth IRA |

| For married members who file jointly | |
|---|---|
| **If your adjusted gross income is...** | **You can contribute...** |
| Under $184,000 *($186,000 for 2017)* | Up to $5,500 ($6500 if over age 50) |
| At least $184,000 but under $194,000 *(At least $186,000 but under $196,000 for 2017)* | The amount you can contribute is reduced. Refer to IRS publication 590-A. |
| $194,000 or more *($196,000 for 2017)* | You cannot contribute to a Roth IRA |

| For married members who file separately | |
|---|---|
| **If your adjusted gross income is...** | **You can contribute...** |
| $0 | Up to $5,500 ($6500 if over age 50) |
| Between $0 and $9,999 | The amount you can contribute is reduced. Refer to IRS publication 590-A. |
| $10,000 or more | You cannot contribute to a Roth IRA |

**Additional Information**

For additional information you can download publications from www.irs.gov, request IRS publications at 1-800-TAX-FORM (1-800-829-3676), or consult a tax advisor. An IRS publication that may be helpful is IRS Publication 590-A, "Contributions to Individual Retirement Arrangements."

*This letter is for informational purposes only and should not be construed as tax advice. Should you have any further questions, we encourage you to contact your tax advisor.*