

Summary Table of Traditional IRA and Roth IRA Tax Rules

Category : Retirement Planning

Published by [The Skilled Investor](#) on Jul/23/2007

Summary Table of 2007 Traditional IRA and Roth IRA Tax Rules Summary Table of Traditional IRA and Roth IRA Tax Rules For your convenience, the table provided below summarizes rules for traditional IRAs and Roth IRAs. You should consult IRS Publication 590, "Individual Retirement Arrangements (IRAs)" and/or a tax professional to confirm this information, before you make a personal finance decision about an individual retirement account. ***Note that the VeriPlan Retirement Savings Calculator provides CURRENT YEAR retirement account tax rules Click here to learn more about VeriPlan -- >> Retirement Savings Calculators**

The table below has a left-hand column of questions and 12 columns of information. Read the first four questions in the first four rows to determine which of the twelve columns would apply to you. First, choose the "single" or "married, filing jointly" tax filing columns that apply to you. Next, determine whether or not you (and your spouse, if married) are covered by a retirement plan at work. (Read footnote 1.) Once you have done this, you should have found one "traditional IRA" column and one "Roth IRA" column that apply to you. Keep track of these two columns and ignore the others. Then, read the remaining questions further down the table to compare the various traditional IRA and Roth IRA rules that affect you. Be careful to distinguish between the rules about whether you can make a contribution and whether an allowable contribution is tax deductible. Fun huh? The tax rules for traditional and Roth IRAs are very complex, and anyone could easily become confused by these rules. A careful reading of the 104 page IRS Publication 590, "Individual Retirement Arrangements (IRAs)" would make anyone's head hurt. If our government expects its citizens to act responsibly, to plan rationally, and to provide for an increasing portion of their own future financial welfare in retirement, then it ought to provide its citizens with a straightforward and understandable set of tax incentives for retirement savings and investing. These excessively complex retirement tax incentives are a counterproductive national embarrassment. Our citizens deserve better. 2007 Tax Rules for Traditional IRAs and Roth IRAs

WHAT IS YOUR FILING STATUS? SINGLE SINGLE SINGLE SINGLE MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY MARRIED, FILING JOINTLY

WHAT TYPE OF IRA? Traditional IRA Traditional IRA Roth IRA Roth IRA Traditional IRA Traditional IRA Traditional IRA Traditional IRA Roth IRA Roth IRA Roth IRA Roth IRA Roth IRA

ARE YOU COVERED BY A RETIREMENT PLAN AT WORK? (footnote 1) No Yes No Yes No No Yes Yes No No Yes Yes

IS YOUR SPOUSE COVERED BY A RETIREMENT PLAN AT WORK? (footnote 1) NA NA NA NA No Yes No Yes No Yes No Yes

WHAT IS THE ANNUAL UPPER LIMIT ON YOUR CONTRIBUTIONS? (2007) \$4,000 \$4,000 \$4,000 \$4,000 \$4,000 \$4,000 \$4,000 \$4,000 \$4,000 \$4,000

WHAT IS THE UPPER LIMIT ON ADDITIONAL CATCH-UP CONTRIBUTIONS? (2007) **\$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000**

WHAT IS THE MINIMUM AGE FOR CATCH-UP CONTRIBUTIONS? **50 50 50 50 50 50 50 50 50 50 50**

WHAT IS THE MAXIMUM AGE TO MAKE CONTRIBUTIONS? **70.5 70.5 None None 70.5 70.5 70.5 70.5 None None None None**

MUST YOUR (FAMILY'S) COMPENSATION BE EQUAL TO OR GREATER THAN YOUR CONTRIBUTION? (footnote 2) **Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes**

DOES A JOINT COMPENSATION TEST APPLY TO MARRIED TAXPAYERS? **NA NA NA NA Yes Yes Yes Yes No No No No**

COULD HIGHER ADJUSTED GROSS (A.G.I.) INCOME LIMIT YOUR CONTRIBUTION? (footnote 3) **No No Yes Yes No No No No Yes Yes Yes Yes**

WHAT IS THE LOWER A.G.I. BOUND TO BEGIN CONTRIBUTION PHASE-OUT? (2007) **NA NA \$95,000 \$95,000 NA NA NA NA \$150,000 \$150,000 \$150,000 \$150,000**

WHAT IS THE UPPER A.G.I. BOUND FOR FULL CONTRIBUTION PHASE-OUT? (2007) **NA NA \$110,000 \$110,000 NA NA NA NA \$160,000 \$160,000 \$160,000 \$160,000**

IS YOUR CONTRIBUTION POTENTIALLY DEDUCTIBLE? **Yes Yes No No Yes Yes Yes Yes No No No No**

MIGHT YOUR DEDUCTION BE LIMITED? **No Yes NA NA No Yes Yes Yes NA NA NA NA**

WHAT IS THE LOWER A.G.I. BOUND TO BEGIN DEDUCTION PHASE-OUT? (2007) **None \$50,000 NA NA None \$150,000 \$80,000 \$80,000 NA NA NA NA**

WHAT IS THE UPPER A.G.I. BOUND FOR FULL DEDUCTION PHASE-OUT? (2007) **None \$60,000 NA NA None \$160,000 \$100,000 \$100,000 NA NA NA NA**

AT WHAT AGE MUST YOUR DISTRIBUTIONS BEGIN? **70.5 70.5 None None 70.5 70.5 70.5 70.5 None None None None**

WHAT TAX RATES WOULD APPLY TO DISTRIBUTIONS? **Ordinary Ordinary No taxes No taxes Ordinary Ordinary Ordinary Ordinary No taxes No taxes No taxes No taxes**

Important Notes:1) A retirement plan at work would be a defined contribution plan or a defined benefit (pension) plan. Whether or not you participate does not matter. It only matters, if you are covered. The deductibility of your traditional IRA contribution may be affected, if you or your spouse are covered by an employer-sponsored retirement plan at work. Roth IRA contributions are not deductible, so coverage by a plan at work is irrelevant.2) To make any IRA contribution, you or your spouse must have compensation that is equal to or greater than the contribution. Compensation includes wages, salary, commissions, active self-employment or partnership income (no losses) alimony and separate maintenance payments.3) If your annual modified Adjusted Gross Income (AGI) exceeds certain levels, IRS rules may limit or eliminate your income tax deductions for your contribution to a traditional IRA account or your contributions to a Roth IRA account.* **YOU SHOULD NOT RELY ON THIS TABLE AS TAX ADVICE. CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF YOUR DECISIONS, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, AND LOCAL TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS.** Click here to learn more about VeriPlan -- >> [Retirement Investment Calculator](#)