same general contribution limit applies to both Roth and traditional IRAs.

Mar. 20, 2018

Taxpayers looking for a last-minute way to lower their taxes for last year still have time to contribute to an Individual Retirement Arrangement (IRA) and claim it on their 2017 tax return. Taxpayers with an IRA may be eligible for a tax credit or deduction on their 2017 tax return if they make contributions by April 17, 2018.

As with any tax strategy, it's best to get the advice of a tax professional, such as an EA or CPA.

An IRA is designed to enable employees and the self-employed to save for retirement. Most taxpayers who work are eligible to start a traditional or Roth IRA or add money to an existing account.

Contributions to a traditional IRA are often tax deductible, but distributions are generally taxable. Contributions to a Roth IRA are not deductible, but qualified distributions are tax-free. To count for a 2017 tax return, contributions must be made by April 17, 2018. In addition, low- and moderate-income taxpayers making these contributions may also qualify for the Saver's Credit.

Generally, eligible taxpayers can contribute up to $5,500 to an IRA. For someone who was 50 years of age or older at the end of 2017, the limit is increased to $6,500. The same general contribution limit applies to both Roth and traditional IRAs. However, a Roth IRA contribution might be limited based on filing status and income. An individual can't make regular contributions to a traditional IRA in the year they reach 70½ and older. However, they can still contribute to a Roth IRA and make rollover contributions to a Roth or traditional IRA regardless of age.

If neither the taxpayer nor their spouse was covered for any part of the year by an

- $62,000 and $72,000; single and head of household
- $99,000 to $119,000; married filing jointly or a qualifying widow(er)
- $186,000 to $196,000; married filing jointly where the IRA contributor is not covered by a workplace retirement plan but is married to someone who is covered

The deduction for contributions to a traditional IRA is claimed on Form 1040, Line 32, or Form 1040A, Line 17. Any nondeductible contributions to a traditional IRA must be reported on Form 8606.

Even though contributions to Roth IRAs are not tax deductible, the maximum permitted amount of these contributions is phased out for taxpayers whose modified adjusted gross income is above a certain level:

- $0 to $10,000; married filing separately
- $118,000 to $133,000; single and head of household
- $186,000 to $196,000; married filing jointly

For detailed information on contributing to either Roth or Traditional IRAs, including worksheets for determining contribution and deduction amounts, see Publication 590-A, available on IRS.gov.

Also known as the Retirement Savings Contributions Credit, the Saver's Credit is often available to IRA contributors whose adjusted gross income falls below certain levels. Eligible taxpayers get the credit even if they qualify for other retirement-related tax benefits. Like other tax credits, the Saver's Credit can increase a taxpayer's refund or reduce the taxes they owe. The amount of the credit is based on several factors, including the amount contributed to either a Roth or traditional IRA and other qualifying retirement programs.

For 2017, the income limit is:

- $31,000; single and married filing separate

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.