ED SLOTT'S
IRA ADVISOR
February 2022

Tax & Estate Planning for Your Retirement Savings

WHAT'S INSIDE?

IRA Contribution Nuts & Bolts

As tax season begins, proactive retirement savers assess annual goals, and many will consider IRA contributions. As such, it is a good time to address some bedrock IRA contribution deadlines and rules. While on the surface these appear to be relatively straightforward, year after year people consistently confuse nut-and-bolt IRA principles. *"Am I eligible to contribute to an IRA?" "Can I deduct my contribution?" "Do I have enough compensation?" "Can I contribute for my non-working spouse?"* A misunderstanding of basic IRA guidelines can result in excess contribution penalties, wasted time, frustration, and lost opportunity.

Deadlines and Contribution Limits

A prior-year (2021) IRA or Roth IRA contribution can be made up to the tax filing due date, April 18, 2022. (This year Emancipation Day falls on Saturday, April 16, and Friday is the observed holiday in Washington, D.C.) There is no extension beyond that date, regardless of whether a tax return extension is filed. The maximum contribution is $6,000. Those who are age 50 or older by year's end can contribute an additional $1,000. This total amount is applied in aggregate across all of a person's traditional and Roth IRAs. Note that IRA contributions have no bearing on how much a person can contribute to a workplace plan such as a SEP, SIMPLE or 401(k).

Assuming a person has eligible compensation (defined in the next section), there is no age limit for making a traditional or Roth IRA contribution. Prior to 2020, individuals who were age 70½ and older were forbidden to contribute to a traditional IRA. (There was never an age restriction on Roth IRA contributions.) This limitation was removed by the SECURE Act. Keep in mind that while there are no income limits for traditional IRA contribution eligibility, income limits do apply for Roth IRA contributions.

"Compensation" for IRA Eligibility

IRA and Roth IRA contributions are only permitted when a taxpayer has compensation. Typically, whether or not a person has "compensation" is a relatively straight-forward determination. For most individuals, compensation comes from employment, either as an employee or from self-employed income. Confirmation of "compensation" can be found in box 1 of the person's W-2 form. Any amount listed here qualifies as "compensation."

However, what qualifies as compensation isn't always so clear cut. *For instance, does unemployment income count as compensation?* After all, it is taxable.

Executive Summary

IRA Contribution Nuts & Bolts

- A prior-year (2021) IRA or Roth IRA contribution can be made up to the tax filing due date, April 18, 2022. There is no extension beyond that date.
- IRA contributions have no bearing on how much a person can contribute to a workplace plan, such as a SEP, SIMPLE or 401(k).
- A spouse with little or no compensation can make an IRA contribution based on his or her spouse's compensation as long as the couple files a joint tax return for the year.
- A child must have legitimate taxable compensation to be eligible for a traditional or Roth IRA.
- A person with earned income can always contribute to a traditional IRA, but a traditional IRA contribution is not always deductible. (Roth IRA contributions are never deductible.) There is no age limit for making a traditional or Roth IRA contribution.
- There is an IRA phase-out range when one spouse is covered by an employer plan and the other is not. The uncovered spouse is permitted a higher phase-out range of $204,000 - $214,000 for 2022.

All That Glitters Is Not Necessarily IRA Gold

- While gold coins and bullion are permitted IRA investments, there are strict rules that must be followed.
- If gold coins or bullion are held in an IRA, they must be held by a qualified trustee or custodian.
- Other options of gold in an IRA include stocks of gold mining companies, precious metals mutual funds and gold bullion ETFs.
- If gold bullion ETFs are held in Roth IRAs, what could have been a 28% tax on any gains might be avoided entirely via tax-free qualified distributions.
- In the McNulty Case, the Court ruled that "Mrs. McNulty took possession of the AE coins and had complete control over them. Accordingly, she had taxable distributions from her IRA."
- One way a taxpayer can show they acted with reasonable cause and in good faith is to rely on professional advice. Websites can be considered advertisements and not professional advice.

IRA Trusts Should Be Irrevocable

- If someone wants to name an IRA trust as the beneficiary, it may be prudent to use an irrevocable trust.
- A significant court case (*Commerce Bank, N.A. v. Bolander,* 239 P.3d 83 (2007), 44 Kan. App. 2d 1) ruled that a deceased IRA owner's accounts payable to a revocable trust were vulnerable to the creditors of that deceased IRA owner if the probate estate assets were inadequate to satisfy valid claims.
- Depending on state law and relevant court decisions, choosing an irrevocable trust generally provides more protection from creditors of an IRA owner, after death, as well as from creditors of the IRA beneficiary or beneficiaries.

Plus, are not unemployment payments supposed to serve as a replacement for normal income? Additionally, in IRS Publication 525, "Taxable and Nontaxable Income," it specifically labels income received from unemployment as "unemployment compensation." Despite suggestions leading one to believe income from unemployment qualifies as "compensation" for purposes of making an IRA contribution, it does not.

With so many ways to generate income, tracking what is compensation vs. what is not can be confounding. A quick reference chart detailing some of the most common types of qualifying compensation for IRA and Roth IRA contribution eligibility is included on page 8 of this month's newsletter.

As is often the case with IRAs, special rules exist for spouses when it comes to compensation. A spouse with little or no compensation can make an IRA contribution based on his or her spouse's compensation. If the higher-compensated spouse had enough eligible income, both spouses can make the maximum IRA contribution. A couple must file a joint tax return for the year to qualify for a spousal contribution.

Spousal contribution rules do not apply to children. A child must have legitimate taxable compensation to be eligible for a traditional or Roth IRA. Simply being paid "under the table" for mowing lawns, shoveling driveways or babysitting will not qualify as compensation, unless the child files her own tax return and claims the income. Also, dollars gifted to a child do not qualify as "compensation."

IRA Deductibility

A person with earned income ("compensation") can always contribute to a traditional IRA, but a traditional IRA contribution is not always deductible. (Roth IRA contributions are never deductible.) One factor for determining IRA deductibility is if a worker is an "active participant" (i.e., "covered") by a retirement plan at work or not. If neither spouse (for those married filing joint) has a retirement plan through an employer — *no 401(k), no SEP, no SIMPLE, etc.,* — then neither is "covered," and each can deduct a traditional IRA contribution. Single filers not covered by an employer plan also qualify for a deductible IRA contribution.

A W-2 form will usually indicate if a person is covered by a work plan or not. If an individual is not covered by a work plan, there should **NOT** be a check in the "retirement plan" box (Box 13) on the W-2. If there is no checkmark and eligible compensation was earned, a traditional IRA contribution can be deducted. The amount earned is irrelevant. *(**Be careful:** Sometimes employers mistakenly complete Box 13, so if any questions exist, it is advisable to confirm with the employer.)*

Those who are/were active participants in an employer plan must consider the phase-out ranges for traditional IRA deductibility. As mentioned, while a person can always make a traditional IRA contribution, he may not be able to deduct it. For 2021 IRA contributions, the income phase-out ranges for deductibility were $105,000 - $125,000 for those married/filing joint, and $66,000 - $76,000 for single filers. (In 2022, those numbers move to $109,000 - $129,000 and $68,000 - $78,000, respectively.)

A person with earned income ("compensation") can always contribute to a traditional IRA, but a traditional IRA contribution is not always deductible.

There is yet another IRA deductibility phase-out range when one spouse is covered by an employer plan and the other is not. The covered spouse uses the married/filing joint phase-out ranges listed above. The uncovered spouse is permitted a higher phase-out range of $198,000 - $208,000 for 2021 ($204,000 - $214,000 for 2022).

Example: Fred and Wilma are a married couple who file jointly. In 2021, Fred participates in a 401(k) through his employer, Slate Rock and Gravel Co. Fred earns a salary of $190,000 as a crane operator. Wilma is a stay-at-home mom to their infant daughter, Pebbles. Wilma has no earned income.

- Since Fred had enough compensation, he can make a 2021 IRA contribution for himself, and he can make a spousal IRA contribution for Wilma. These could be made to either a traditional or Roth IRA since Fred is below the Roth IRA phaseout limits ($198,000 - $208,000 for those married filing joint in 2021).
- Since Fred and Wilma are both under age 50, their maximum IRA contribution is capped at $6,000 for each spouse ($12,000 total).
- Daughter Pebbles cannot have an IRA because she has no earned income. This is true even if Fred gifted her money in 2021.
- If Fred contributes to a traditional IRA for himself, he cannot deduct the contribution, because he is an active participant in his company work plan, and he is over the 2021 married/joint phaseout range for deductibility ($105,000 - $125,000).
- If the spousal contribution for Wilma goes into a traditional IRA, Wilma can deduct the contribution, because she is not covered by a work plan and the couple's combined income is below the elevated phaseout range applicable to the uncovered spouse ($198,000 - $208,000 for married/joint in 2021).
- Fred has until April 18, 2022, to make prior-year (2021) traditional or Roth IRA contributions.

A person is either covered as an active participant or he is not. There is no middle ground. If Fred was fired from his job in mid-2021 by his boss, Mr. Slate, his final W-2 would still have a check in the retirement plan box. A person who is an active participant for part of the year is deemed to be an active participant for the entire year.

Conclusion

Understanding the foundational concepts of IRAs — *the nuts and bolts* — is imperative for retirement savings success. Do not assume deductibility or even eligibility. Failure to follow the phaseout guidelines, compensation definition and active participation rules could lead to problems down the road. Despite the popularity of IRAs, the regulations can be complex. Multiple factors must be considered before any traditional IRA or Roth IRA contribution is simply dumped into an account. Yabba Dabba Do! ■

All That Glitters Is Not Necessarily IRA Gold

In volatile times, when inflation is looming, many retirement savers inquire about investing their IRAs in gold. Yes, gold can be held in an IRA, but it must be done properly.

The recent McNulty Tax Court case demonstrates the risks to retirement savings if the rules are not carefully followed. In that case, a Rhode Island nurse lost the qualified status of her IRA when the Tax Court held that her IRA investment in gold coins kept in her own home was a taxable distribution.

The IRA Golden Rules

The Rhode Island nurse is certainly not alone in her interest in investing her IRA in gold. The internet and cable television are full of ads touting the advantages of investing in gold bullion and gold coins. These appear to come in cycles and increase when markets seem unstable and inflation is on the rise, which is an accurate description of what is happening now.

While gold coins and bullion are permitted IRA investments, there are strict rules that must be followed. An IRA owner who envisions holding gold coins in her hand, as promised by some notorious television commercials, will be out of luck.

An IRA owner can invest in almost anything within her IRA. The major exceptions are life insurance and collectibles. If an IRA is invested in collectibles, the amount invested is considered distributed in the year invested. Generally, both "metals" and "coins" are considered collectibles. However, the tax code does provide an exception. Publication 590-A says:

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

Thus, American Eagle gold bullion coins, from the U.S. Mint, are acceptable for IRAs. However, that does leave one question: *Just what are the other "certain coins" and "certain bullion" covered by this exception?*

Section 408(m)(3) of the tax code says that bullion of a fineness equal to or exceeding the minimum fineness required for a regulated futures contract is acceptable for IRAs, if such bullion is in the physical possession of a qualified trustee. A number of gold bullion coins issued by governments around the world meet this standard. However, IRA owners may prefer to use American Eagles, with their specific exception, to avoid issues with meeting the "fineness standard." Gold items not meeting these requirements are prohibited investments and cannot be held in an IRA.

As section 408(m)(3) indicates, if gold coins or bullion are to be held in an IRA, they must be held by a qualified trustee or custodian. Major banks, brokers and mutual fund companies generally aren't interested in holding such items, so that means account owners must find an alternative. Such alternative does not include the owner holding the gold for the IRA.

Properly holding gold in an IRA will not come cheaply. Fees are typically much higher for an IRA holding gold items. The good news is that once an IRA custodian willing to hold gold investments is identified and the IRA invests in acceptable coins or bars, the IRA itself won't be much different from any other IRA. The gold items will generally be of standard size and easy to value by looking at daily gold prices. With easily identifiable fair market valuations available, IRA owners will know how much tax they'll owe on distributions made in-kind and on Roth IRA conversions.

> **While gold coins and bullion are permitted IRA investments, there are strict rules that must be followed.**

IRA owners who like the idea of gold as an IRA investment, but don't want to deal with the hassles and expense of owning physical gold in their IRAs, do have other options. They may consider buying the stocks of gold mining companies or shares of a precious metals mutual fund.

Another possibility is to invest in a gold bullion exchange-traded fund (ETF). PLR 200732026 found that shares of an ETF that holds gold do not constitute an acquisition of a collectible if they are acquired in an IRA. In fact, a tax quirk may make bullion ETFs especially appealing for IRAs. Long-term capital gains on the sale of collectibles are heavily taxed compared to most other capital assets.

By owning gold bullion ETFs in an IRA, investors level the playing field. All IRA withdrawals are taxed as ordinary income, regardless of the investments held inside the IRA. Even better, if gold bullion ETFs are held in Roth IRAs, what could have been a 28% tax on any gains might be avoided entirely, via tax-free qualified distributions.

McNulty Case: Golden Parachute Ruined

As for the story of the woman who botched her IRA gold investment and destroyed the tax status of her IRA… Donna and Andrew McNulty lived in Rhode Island. Donna was a nurse, and Andrew was a manager at a plant that manufactured sails for boats. In 2015, the McNultys became interested in alternative investments for their IRAs.

Doing her own online research, Donna came across a website for a company called Check Book IRA, LLC (Check Book). During 2015, Check Book's website advertised that an LLC owned by an IRA could invest in American Eagle (AE) coins, and IRA owners could hold those coins at their homes without tax consequences or penalties, so long as the coins were "titled" to an LLC.

On August 19, 2015, Donna established a self-directed IRA using Check Book's services and named Kingdom Trust Co. as the IRA custodian. On August 24, 2022, Check Book formed Green Hill Holdings, LLC, a single-member LLC that is a disregarded entity for Federal tax purposes with its sole member, "Mrs. McNulty's IRA."

Donna funded the new self-directed IRA via direct transfers from both her existing individual retirement annuity with MetLife and her 401(k) profit-sharing retirement plan. The new self-directed IRA funds were then used to purchase membership interests in an LLC.

Next, the LLC purchased gold and silver AE coins from an authorized coin dealer. The coins were shipped to the McNultys' home and were stored in a safe along with non-IRA coins purchased by each of the McNultys directly.

Kingdom Trust filed Form 5498, IRA Contribution Information, with the IRS for 2015 and 2016, reporting the IRA's fair market values of $349,856 and $388,247, respectively. The 2015 Form 5498 omitted Green Hill's year-end bank account balance, and the 2016 Form omitted the value of the 2016 silver coins. Kingdom Trust did not have any role in the management of Green Hill, the purchase of the coins, or the administration of Green Hill's or the IRA's assets.

In 2018, the IRS sent the McNultys a notice of deficiency for both 2015 and 2016. The IRS determined that they each received taxable distributions upon their receipt of the coins equal to the cost of the coins. For Donna, that meant sizable distributions of $374,000 and $37,380 for 2015 and 2016, respectively. The IRS also determined that the McNultys were liable for accuracy-related penalties for both years.

Tax Court's Ruling

The Tax Court held that a taxable distribution occurred when Donna took possession of the gold coins in her IRA and that accuracy penalties applied. According to the Court, an IRA custodian is required to maintain custody of the IRA assets. When coins or bullion are in the physical possession of the IRA owner, there is no independent oversight that could prevent the owner from invading (i.e., using) the retirement funds. The existence of the LLC did not save the McNultys, since the Tax Court said she still had constructive receipt of the funds.

The Tax Court held that a taxable distribution occurred when Mrs. McNulty took possession of the gold coins in her IRA and that accuracy penalties applied.

From the Court:

> *"Mrs. McNulty took possession of the AE coins and had complete control over them. Accordingly, she had taxable distributions from her IRA."*

The Court also hit the McNultys with accuracy penalties for underpayment of taxes. These penalties can potentially be avoided if a taxpayer acted with reasonable cause and in good faith. One way a taxpayer can show they acted properly is to rely on professional advice.

The McNultys admitted they did not seek advice from their CPA about their self-directed IRAs. Instead, they produced exhibits of three versions of Check Book's website from three dates during 2015, implying that their research included a review of the website at some point during 2015. The Court concluded that Check Book's website was an advertisement of its products and services and not professional advice. As such, the accuracy-related penalties stood.

Advisor Action Plan

- Warn clients that many commercials about holding gold in IRAs are misleading. They imply that IRA gold (or other coins) can be kept at home, possibly with the help of an LLC. This will not work. If the IRA owner takes possession of the gold, it is a taxable event.
- Educate clients on the right way to hold gold in an IRA, with a reputable custodian. This may not come cheaply but preserving retirement savings is worth it.
- Explore alternatives to investing an IRA directly in gold, such as investing in gold mining companies, precious metal funds, and ETFs. ETFs may be especially attractive in an IRA due to potential tax savings.
- Remind clients that free internet research can be expensive. The IRS may consider information from a website as merely advertising and not professional advice. Professional advice is critical, especially when it comes to alternative investments. ■

IRA Trusts Should Be Irrevocable

Guest IRA Expert

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IRA owners — *especially those with large accounts* — may consider naming a trust (known as an IRA trust) as the beneficiary. If so, it generally may be worthwhile to use an irrevocable standalone trust instead of a revocable standalone trust as the beneficiary of an IRA. This might be especially true in jurisdictions that have adopted versions of the Uniform Trust Code (UTC).

Why name a trust as the IRA beneficiary? There may be estate planning and asset protection advantages. For instance, if an intended beneficiary has a history of poor money management, passing responsibility to the trustee of an IRA trust may ensure that cash will keep flowing, moderately. Also, creditors may be denied access to the IRA.

If someone wants to name an IRA trust as the beneficiary, it may be prudent to use an irrevocable trust. IRA owners may be comforted by knowing that an irrevocable trust is not an irrevocable IRA beneficiary. As long as an IRA owner is legally competent, he or she can change IRA beneficiaries at any time.

Moreover, naming a revocable trust as the IRA beneficiary may be dangerous. A significant court case ruled that a deceased IRA owner's accounts that were payable to a revocable trust were vulnerable to creditors of that deceased IRA owner if the probate estate assets were inadequate to satisfy valid claims.

Exposure to Creditors

In that significant case, Commerce Bank, N.A. v. Bolander, 239 P.3d 83 (2007), 44 Kan. App. 2d 1, Wanda, a resident of Kansas, created a trust and named herself as the trust beneficiary during her lifetime. She reserved the right to amend or revoke the trust at any time, so the trust was revocable.

The purpose of the trust was to provide for the educational expenses of Wanda's lineal descendants. When Wanda died, her two IRAs — *with a total value over $212,000* — were payable to this revocable trust. Wanda's son was named as the trust's successor trustee, replacing Wanda. (Crystal Bolander was the executor of Wanda's estate.)

If someone wants to name an IRA trust as the beneficiary, it may be prudent to use an irrevocable trust.

Then, Commerce Bank sought a monetary judgment against Wanda's estate and the trust. The undisputed evidence showed that the estate was insolvent; the trust had assets in excess of $200,000 (mainly from Wanda's IRAs, which were payable to the inter vivos revocable trust); and the bank's claims were approximately $80,000. In court, the trustee of the revocable trust argued that the bank could not attach the trust assets, specifically the two IRAs.

A district court ruled in favor of the bank so the trustee of the revocable trust appealed that decision. The Court of Appeals of Kansas also took the bank's side, stating that a decedent's IRAs that are payable to a revocable trust are subject to claims by creditors of the deceased IRA owner if there are insufficient probate estate assets.

State Law Determines

The appellate court's holding relied on Kansas law, which provides that when the settlor of a revocable trust dies, property of a revocable trust is subject to the claims of the settlor's creditors under the Kansas UTC if there are insufficient probate estate assets.

The Kansas UTC states that….

> *"[A]fter the death of a settlor, and subject to the settlor's right to direct the source from which liabilities will be paid, the property of a trust that was revocable at the settlor's death is subject to claims of the settlor's creditors, costs of administration of settlor's estate, … to the extent the settlor's probate estate is inadequate to satisfy those claims, costs, expenses, and allowances."*

Keep in mind that over thirty jurisdictions have adopted versions of the UTC:

Alabama	Montana
Arizona	Nebraska
Arkansas	New Hampshire
Colorado	New Jersey
Connecticut	New Mexico
D.C.	North Carolina
Florida	North Dakota
Hawaii	Ohio
Illinois	Oregon
Kansas	Pennsylvania
Kentucky	South Carolina
Maine	Tennessee
Maryland	Utah
Massachusetts	Vermont
Michigan	Virginia
Minnesota	West Virginia
Mississippi	Wisconsin
Missouri	Wyoming

Many of those jurisdictions (but not all) have statutory language that are similar to the language found in the Kansas UTC. Moreover, even other jurisdictions may have similar language to that of the Kansas UTC regarding creditors' claims on revocable trust assets. Indeed, the appellate court in *Commerce Bank v. Bolander* mentioned that California law on this subject is similar to Kansas law.

Following the appellate court's decision, Wanda's two IRAs, which were payable to the revocable trust, became accessible after her death to her creditors, including Commerce Bank.

Here, Kansas' adoption of the UTC played a role in the outcome of the case. That said, regardless of whether a state has adopted a version of the UTC, there may be other statutes and/or case law relevant to creditors' rights and claims against the deceased settlor's estate whose assets are in, or are payable to, a revocable trust.

If any legal rules or precedents point in that direction, an IRA owner might consider naming an irrevocable trust rather than a revocable trust as IRA beneficiary. Furthermore, if an IRA owner names a revocable trust as IRA beneficiary, IRS rules require that the trust document must specifically state that the revocable trust will become irrevocable when the IRA owner dies.

Consequently, an IRA owner who is concerned about the holding in *Commerce Bank v. Bolander* may name an irrevocable trust rather than a revocable trust as IRA beneficiary. We live in a litigious society, so it makes sense to maximize protection of valuable assets such as large IRAs. Depending on state law and relevant court decisions, choosing an irrevocable trust generally will provide more protection from creditors of an IRA owner, after death, as well as from creditors of the IRA beneficiary or beneficiaries.

We live in a litigious society, so it makes sense to maximize protection of valuable assets such as large IRAs.

Providing Precedent

The decision in *Commerce Bank v. Bolander* was an unpublished opinion when first decided, so it might be used as persuasive authority. Eventually, the Kansas Supreme Court granted a motion to publish the case and the published version was filed with the Clerk of the Appellate Courts on July 30, 2010. Thus, this case has qualified to be cited as precedent for more than a decade.

What can be taken away from the Commerce Bank v. Bolander decision?

- When an IRA owner in Kansas names a revocable trust as beneficiary, any money paid from the IRA to the trust after the owner's death is subject to provisions regarding creditor's claims in the Kansas UTC if the settlor's probate estate is inadequate to satisfy the items listed in the statute.
- The creditor protection that applied to IRAs during the revocable trust settlor's lifetime does not survive the settlor's death.
- The fact that a revocable trust became irrevocable on the settlor's death is not relevant to creditor protection issues.
- Without a specific provision in the law, an exemption granted to a debtor is a personal exemption and does not survive the debtor's death.
- Many jurisdictions (but not all) have similar laws, making irrevocable trusts superior to revocable trusts when it comes to protecting a deceased IRA owner's retirement accounts from creditors.

To see what might happen if the wrong choice is made, suppose Dr. Smith has most of his investment assets in an IRA, holding $3 million. He names a revocable trust as the IRA beneficiary. Dr. Smith is sued for malpractice and the plaintiff is awarded $5 million. Even if state law protects Dr. Smith's IRA during his lifetime, the entire IRA might be lost to his creditors, including the plaintiff in this suit, when Dr. Smith dies. Using an irrevocable trust instead of a revocable trust as IRA beneficiary may avoid such an outcome. ■

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What Is Compensation for IRA Contribution Eligibility?

Compensation
Wages, salaries, commissions, professional fees, bonuses, other amounts received for personal services
Net self-employment income (reduced by contributions to employer plans and the deduction for self-employment taxes)
Net self-employment income from personal services (e.g., clergy, professional traders), even if it is not subject to self-employment tax (reduced by contributions to employer plans and the deduction for self-employment taxes)
Taxable alimony and/or maintenance payments
Combat pay, even though it may be excluded from federal income tax
Accrued vacation pay
Director's fees, jury fees
Scholarship or fellowship payments, if included in Box 1 of a W-2
Difficulty of care payments
Taxable non-tuition fellowship or stipend payments

NOT Compensation
Pension and annuity income: IRA, Roth IRA, company plan distributions, and non-qualified annuity distributions
Rental income (unless it is the taxpayer's business)
Interest income, dividend income, capital gains income, certain income from partnerships, S-corp income
Nontaxable alimony and/or maintenance payments
Life insurance proceeds
Deferred compensation
Severance pay
Disability payments and unemployment income
Child support
Amounts excluded from income (other than combat pay)
Social Security benefits

2022 Retirement Plan Contribution Limits

Phase-Out Ranges for IRA Deductibility

This chart is only for those who are covered by a company retirement plan.

Year	Married/Joint	Single or Head of Household
2020	104,000 - 124,000	65,000 - 75,000
2021	105,000 - 125,000	66,000 - 76,000
2022	109,000 - 129,000	68,000 - 78,000

If not covered by a company plan but the spouse is, the phase-out range for 2021 is $198,000 - $208,000 and for 2022 is $204,000 - $214,000. If filing married-separate, the phase-out range is $0 - $10,000.

IRA and Roth IRA Contribution Limits

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2020	6,000	1,000	7,000
2021	6,000	1,000	7,000
2022	6,000	1,000	7,000

A 2021 IRA or Roth IRA contribution can be made up to the tax filing due date, April 15, 2022. There is no extension beyond that date, regardless of whether an extension is filed for the tax return.

*Those who are 50 or older by year end can contribute an additional $1,000.

Roth IRA Phase-Out Limits for Contributions

Year	Married/Joint	Single or Head of Household
2020	196,000 - 206,000	124,000 - 139,000
2021	198,000 - 208,000	125,000 - 140,000
2022	204,000 - 214,000	129,000 - 144,000

If filing married-separate, the phase-out range is $0 - $10,000

Employee Salary Deferral Limits for 401(k)s & 403(b)s

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2021	19,500	6,500	26,000
2022	20,500	6,500	27,000

Limits are per person; **not** per plan.
*Those who are 50 or older at year end can contribute an additional $6,500. The catch-up contributions are also eligible for employer matching contributions if allowed by the plan.

SEP IRA Contribution Limits
(Simplified Employee Pensions)

2021 The SEP limit for 2021 is 25% of up to $290,000 of compensation, limited to a maximum annual contribution of $58,000. This limit also applies to Keoghs and profit-sharing plans.

2022 The SEP limit for 2022 is 25% of up to $305,000 of compensation, limited to a maximum annual contribution of $61,000. This limit also applies to Keoghs and profit-sharing plans.

Catch-up contributions do not apply to SEP IRAs. They still apply to old SARSEPs in effect before 1997. No new SARSEPs were allowed after 1996.

SEP contributions can be made up to the due date of the tax return, including extensions. For example, a 2021 SEP contribution can be made up to April 15, 2022 or up to October 15, 2022 if a valid extension has been filed.

SIMPLE IRA Contribution Limits
Contribution Limits for Salary Deferrals

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2021	13,500	3,000	16,500
2022	14,000	3,000	17,000

*Those who are 50 or older by year end can contribute an additional $3,000. The catch-up contributions are also eligible for employer matching contributions if allowed by the plan.

Qualifying Longevity Annuity Contracts (QLACs)

For 2022, retirement account owners can purchase a QLAC with the lesser of 25% of their retirement funds or **$145,000**. The 25% limit is applied to each employer plan separately, but in aggregate to IRAs.