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Internal Revenue Manual Section 4.19.3.9.6.1

IRA Deduction - Analysis

1. The TP(s) may claim the allowable IRA deduction on Form 1040, Schedule 1, line 32 (TY 2018) or Form 1040 / Form 1040-SR, Schedule 1, line 19 (TY 2019 and subsequent). The maximum allowable IRA deduction is the lesser (before phaseout limit, see (3) below) of:
 - A. Taxable compensation for purposes of establishing an IRA include: wages, salaries, tips, professional fees, bonuses and other amounts received from providing personal services, taxable alimony, separate maintenance payments and NET earnings profit from self-employment income, minus the self employment tax deduction .
 - B. Military personnel have the option of including nontaxable combat pay, along with any taxable compensation, when calculating the allowable IRA deduction.

TY 2018

\$5,500 (\$6,500 if 50 or older) or taxable compensation (including non-taxable combat pay) for filing status single, head of household, or married filing separately.

Note:

If a CONTR IR is present for more than \$5,500, check the PRIMARY/SECONDARY AGE fields on the Case Analysis screen. If the fields are blank, research the affected TP's age and update the field(s) accordingly.

\$11,000 (\$12,000 if only one is 50 or older or \$13,000 if both are 50 or older) or taxable compensation (including non-taxable combat pay) for filing status married filing jointly.

TY 2019 and subsequent

\$6,000 (\$7,000 if 50 or older) or taxable compensation (including non-taxable combat pay) for filing status single, head of household, or married filing separately.

Note:

If a CONTR IR is present for more than \$6,000, check the PRIMARY/SECONDARY AGE fields on the Case Analysis screen. If the fields are blank, research the affected TP's age and update the field(s) accordingly.

\$12,000 (\$13,000 if only one is 50 or older or \$14,000 if both are 50 or older) or taxable compensation (including non-taxable combat pay) for filing status married filing jointly.

TY 2018**TY 2019 and subsequent**

When a spousal IRA is present, the IRA contributions are divided between the TPs, any way they choose, as long as the contributions do not exceed \$5,500 (\$6,500 if age 50 or over) for any one spouse.

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2. An IRA contribution can be made **ONLY** if the TP has taxable compensation (as defined in a and b above). In the case of a married couple filing a joint return, up to amounts listed below can be contributed to IRAs (other than SIMPLE IRAs) on behalf of each spouse, even if one spouse has little or no compensation.

TY 2018**TY 2019 and subsequent**

\$5,500 (\$6,500 if 50 or older) \$6,000 (\$7,000 if 50 or older)

3. When the TP is covered by a qualified pension plan, the IRA deduction begins to decrease (phaseout) when the Modified AGI (MAGI) exceeds the lower limit and is eliminated (disallowed) when the MAGI exceeds the upper limit in the table below:

Filing status	TY 2018	TY 2019	TY 2020
1 or 4	\$63,000 - \$73,000	\$64,000 - \$74,000	\$65,000 - \$75,000
2 or 5	\$101,000 - \$121,000	\$103,000 - \$123,000	\$104,000 - \$124,000
3 or 6	\$0 - \$10,000	\$0 - \$10,000	\$0 - \$10,000

4. When the TP is NOT covered by a qualified pension plan, but the spouse IS covered, the IRA deduction begins to decrease (phaseout) when the MAGI exceeds the lower limit and is eliminated (disallowed) when the MAGI exceeds the upper limit in the table below:

Filing status	TY 2018	TY 2019	TY 2020
2 or 5	\$189,000 - \$199,000	\$193,000 - \$203,000	\$196,000 - \$206,000
3 or 6	\$0 - \$10,000 If the TP did not live with his/her spouse	\$0 - \$10,000 If the TP did not live with his/her spouse	\$0 - \$10,000 If the TP did not live with his/her spouse

Filing**status TY 2018****TY 2019****TY 2020**

("D" entered next to Form 1040 Schedule 1, line 32) , the TP is treated as filing status 1 (no spouse)

("D" entered next to Form 1040 / Form 1040-SR, Schedule 1, line 19), the TP is treated as filing status 1 (no spouse)

("D" entered next to Form 1040 / Form 1040-SR, Schedule 1, line 19), the TP is treated as filing status 1 (no spouse)

5. Consider the TP covered by a qualified pension plan if:

Reminder:

Consider the IR more accurate than the ELF payer document.

- A. The Form W-2 is attached and the retirement plan box is checked, or
- B. Form W-2, Box 12 has a code "D" , "E" , " F" , or "S" with a corresponding contribution amount. See *Exhibit 4.19.3-8*, Form W-2 - Box 12 Codes, or
- C. The TP reports an unidentified wage amount (no Form W-2 is attached, nor corresponding WAGE IR) or,
- D. The Form W-2 is **not** attached to the return and the IND field on the WAGE IR is other than blank and/or contains the literal "DC" , or
- E. An attached Form W-2 or WAGE IR is from a federal, state or local government, including any political subdivision. Reservist wages are NOT covered by a pension plan.
- F. The TP is FS 3 or 6 and there is no indication that the TP lived apart from the spouse (also enter a "Y" in the LIVED WITH SPOUSE field on the IRA window if either spouse is covered by a pension plan).
- G. The TP takes a deduction for a SIMPLE Plan or SEP on Form 1040, Schedule 1 line 28 (TY 2018) or Form 1040 / Form 1040-SR, Schedule 1, line 15 (TY 2019 and subsequent).

Exception:

Section 457 Plans are NOT considered as coverage for calculations of IRA contributions. If only the Deferred Compensation box is checked and only code "G" appears in Box 12 of the Form W-2, or there are other indications that the TP has only Deferred Compensation in a Section 457 Plan, Do NOT consider the TP covered by a pension plan. An "H" code in Box 12 of Form W-2 identifies 501(c)(18) Pension Plans. The TP is instructed to report his/her allowable deduction on the dotted portion of Form 1040, Schedule 1, line 36 (TY 2018) or Form

9. The TP may make contributions to an IRA during the AUR tax year or by the due date of the return (not including extensions).

10. Contributions may not be made to a traditional IRA during or after the year in which the TP reaches age 70 1/2 (TY 2019 and prior). If the age for the primary and/or secondary TP on the Case Analysis screen is 71 or older, enter a zero (0) in the PRIMARY and/or SECONDARY COMPENSATION field(s) as applicable (TY 2019 and prior). This suppresses any deduction from being computed and disallows any previously taken deduction for the applicable TP.

Note:

A TP over the age of 70 1/2 (TY 2019 and prior) can continue to make contributions to a spousal IRA until the year the spouse reaches age 70 1/2 (TY 2019 and prior).

Note:

For TY 2020 and subsequent, there is no age restriction. TP's can claim a deduction for their IRA contributions regardless of age.

11. Screen IRA IR(s) after all other potentially discrepant income types are analyzed. Any subsequent analysis that changes the TOTAL AGI CHANGE field **must** always be followed by reselecting the IRA window. See (14) below when SS/RR, SLID, Tuition and Fees, and/or DPAD are also issues on the same case.

12. The system computes the allowable IRA deduction based on the appropriate entries in the Adjusted Gross Income window and the IRA window. See IRM 4.19.7, IMF Automated Underreporter (AUR) Technical System Procedures - Adjusted Gross Income (AGI) window and IRA Contributions.

Caution:

Be alert to changes made during or after original processing when entering/verifying information in this window.

13. A net loss from self-employment income cannot be subtracted from salaries, wages, etc., when figuring total compensation. If U/R self-employment income (Income Identify Codes of "PB" , "PF" , "SB" , and "SF")

- A. Is not present on the Case Analysis screen do not consider any net loss from self-employment income when determining the amount to enter in the PRIMARY and/or SECONDARY COMPENSATION field(s) in the IRA window.
- B. Is present on the Case Analysis screen and a net loss from self-employment income is reported on the return, input/verify the PRIMARY/SECONDARY REPORTED SE INCOME field(s) in the SE Tax window.

14. If IRA contributions, SS/RR, SLID, Tuition and Fees and/or DPAD are issues on the same case, then:

- A. Compute the SS/RR by selecting the SSA/RRB window.
- B. Compute the IRA contribution by selecting the IRA window.

Note:

After the IRA is computed, the system automatically recomputes the SSA/RRB window.

- C. Recompute the SLID.
- D. Recompute Tuition and Fees.
- E. Recompute DPAD **LAST**.

Note:

See *IRM 4.19.3.4.2*, Case Analysis Screen, for the proper window sequence when these issues are present on the same case.