TAX YEAR
2025

Individual Retirement Accounts
Traditional IRAs

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Traditional IRAs

IRA Contribution Limits—2025	
	Lesser of: Taxable compensation for the year, or:
Under age 50	$7,000
Age 50 or older	$8,000

What is an IRA?

An IRA is an individual retirement account. It is a personal savings plan that gives you tax advantages for setting aside money for retirement. An IRA is referred to as a traditional IRA if it is not a Roth IRA, SIMPLE IRA, or SEP IRA.

Traditional IRA tax advantages and rules:

- Contributions to an IRA may be fully or partially deductible.
- Amounts in your IRA (including earnings and gains) are not taxed until distributed.
- There is no limit on how much you can earn and still contribute (however, contributions are not deductible above certain threshold amounts).
- There is no age limit for contributions.
- Required minimum distributions begin after age 73.
- Early distributions (before you are age 59½) are subject to a 10% additional tax. Exceptions apply.
- Distributions are taxed as ordinary income.

Who Can Contribute to an IRA?

Any individual can set up a traditional IRA if he or she receives taxable compensation during the year. An individual can have a traditional IRA even if covered by an employer-sponsored retirement plan. However, the deductible amount of contributions to a traditional IRA may be phased out. See *Reduced IRA Deduction,* later.

Compensation for IRA Purposes	
Includes	***Does Not Include***
• Wages, salaries, tips, professional fees, bonuses, and other amounts received for providing personal services. • Commissions. • Self-employment income. • Nontaxable combat pay. • Taxable alimony and separate maintenance payments received. • Taxable scholarship and fellowship payments (if shown in box 1 of Form W-2).	• Earnings and profits from property, such as rental income. • Interest and dividend income. • Pension or annuity income. • Deferred compensation. • Income from certain partnerships. • Conservation Reserve Program (CRP) payments. • Any amounts (other than combat pay) excluded from income.

Contribution limit. Contributions to IRAs are limited to the lesser of the individual's compensation (or spouse's compensation under a spousal IRA), or $7,000 ($8,000 for age 50 or older).

Total contributions are combined with Roth IRA contributions to determine limits. For example, a $1,000 contribution to a Roth IRA will reduce total contributions allowable to a traditional IRA by $1,000.

Spousal IRA. If both spouses have compensation, each can set up a separate IRA. Spouses cannot participate in the same IRA. However, if MFJ, and one spouse's compensation is less than the contribution limit, the lower-income spouse can use the compensation of the other spouse to qualify as only one spouse needs to have compensation.

Example: *Jill is a full-time student under age 50 with no taxable compensation. Her husband, Barry, is under age 50 and has taxable compensation of $30,000. If they file a joint return, both Barry and Jill can each contribute $7,000 in 2025 to their own IRAs.*

Individual Retirement Accounts

Traditional IRAs

Excess contributions. If contributions to your IRA exceed the annual limit and the excess contributions are not withdrawn by the due date of your return (including extensions), you are subject to a 6% excise tax for each year the excess amounts remain in your IRA.

When Can You Make Contributions?

Contributions to an IRA can be made at any time during the year or by the due date of your return for that year (not including extensions). This means that most people can make contributions for 2025 by April 15, 2026.

How Much Can You Deduct?

Generally, you can deduct the lesser of:

- The contributions to your traditional IRA for the year, or
- The general limit (or spousal limit) for the year.

However, if you or your spouse is covered by an employer retirement plan, you may not be able to deduct this amount.

Covered by an employer retirement plan. If you or your spouse was covered by an employer retirement plan at any time during the year for which contributions were made, your deduction may be limited. Limits on the amount you can deduct do not affect the amount that can be contributed. Box 13, Form W-2, will be checked if you are covered.

Reduced IRA Deduction

Subject to whether you or your spouse was covered by an employer retirement plan, you may be entitled to only a reduced (partial) deduction or no deduction at all, depending on your modified adjusted gross income (MAGI) and filing status.

MAGI. MAGI for IRA purposes is your adjusted gross income (AGI) plus any traditional IRA deduction, student loan interest deduction, foreign earned income or housing exclusion, U.S. Savings Bond interest exclusion, or employer-provided adoption benefits exclusion.

2025 IRA Phaseouts—Taxpayer Covered by a Retirement Plan at Work		
Filing Status	***MAGI***	***Deduction Allowable***
Single or Head of Household	$79,000 or less.	A full deduction.
	More than $79,000 but less than $89,000.	A partial deduction.
	$89,000 or more.	No deduction.
Married Filing Jointly or Qualifying Surviving Spouse	$126,000 or less.	A full deduction.
	More than $126,000 but less than $146,000.	A partial deduction.
	$146,000 or more.	No deduction.
Married Filing Separately (use Single if you did not live with spouse at any time during the year)	Less than $10,000.	A partial deduction.
	$10,000 or more.	No deduction.
2025 IRA Phaseouts—Neither Covered by Retirement Plan at Work		
Filing Status	***MAGI***	***Deduction Allowable***
Single, Head of Household, or Qualifying Surviving Spouse	Any amount.	A full deduction.
Married Filing Jointly or Married Filing Separately	Any amount.	A full deduction.
2025 IRA Phaseouts—Taxpayer Not Covered, but Spouse Covered by Retirement Plan at Work		
Filing Status	***MAGI***	***Deduction Allowable***
Married Filing Jointly	$236,000 or less.	A full deduction.
	More than $236,000 but less than $246,000.	A partial deduction.
	$246,000 or more.	No deduction.
Married Filing Separately (You are entitled to a full deduction if you did not live with your spouse at any time during the year)	Less than $10,000.	A partial deduction.
	$10,000 or more.	No deduction.

Required Minimum Distribution (RMD)

The RMD is the minimum amount that you must withdraw each year upon reaching age 73. You may withdraw more than the minimum required amount. The withdrawals will be included in taxable income except for any part that was already taxed or can be received tax free.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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