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Accounting • Bookkeeping • Taxes

Roth IRAS

Confused about whether you can contribute to a Roth IRA? The IRS suggests checking these simple rules:

Income:

To contribute to a Roth IRA, you must have compensation (e.g., wages, salary, tips, professional fees, bonuses). Your modified adjusted gross income must be less than:

\$160,000	Married Filing Jointly
\$10,000	Married Filing Separately (and you lived with your spouse at any time during the year)
\$110,000	Single, Head of Household, or Married Filing Separately (and you did not live with your spouse during the year).

Age:

There is no age limitation for Roth IRA contributions. Unlike traditional IRAs, you can be any age and still qualify to contribute to a Roth IRA.

Contribution Limits:

In general, if your only IRA is a Roth IRA, the maximum 2004 contribution limit is the lesser of your taxable compensation or \$3,000 (\$3,500 for those age 50 or over). For 2005, this amount increases to \$4,000 (\$4,500 if 50 or older in 2005).

The maximum contribution limit phases out if your modified adjusted gross income is within these limits:

\$150,000-\$160,000	Married Filing Jointly
\$0-\$10,000	Married Filing Separately (and you lived with your spouse at any time during the year)
\$95,000-\$110,000	Single, Head of Household, or Married Filing Separately (and you did not live with your spouse)

Contributions to Spousal Roth IRA:

You can make contributions to a Roth IRA for your spouse provided you meet the income requirements.

When to Make Contributions?

Contributions to a Roth IRA can be made at any time during the year or by the due date of your return for that year (not including extensions). Roth IRA contributions are not tax deductible and are not reported on your tax return. On the other hand, you do not include in your gross income, and therefore are not taxed on, any qualified distributions or distributions that are a return of your regular Roth IRA contributions or that are rolled over into another Roth IRA.