2019 IRA Contribution Deadline Extended

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Wealth By Design

IRA Contribution Deadline Extension

For most taxpayers, you now have until July 15, 2020 to contribute to a traditional IRA or a Roth IRA. This is owing to the ongoing tax filing extensions from Covid-19.

You can contribute up to $6,000 or $7,000 if you were 50 or older December 31, 2019. Making these later contributions may help reduce your tax bill on your 2019 return. It is also good motivation to save for retirement.

Traditional IRA and Roth IRA contributions

If you had taxable income and you were not 70½ or older on December 31, 2019, you can contribute to a traditional IRA.

However, if you or your spouse was covered by an employer-sponsored retirement plan in 2019, then your ability to deduct your contributions may be limited or eliminated, depending on your filing status and modified adjusted gross income (MAGI). Even if you can't make a deductible contribution to a traditional IRA, you can always make a nondeductible (after-tax) contribution, regardless of your income level. However, if you're eligible to contribute to a Roth IRA, in some instances you could be better off making nondeductible contributions to a Roth, rather than making them to a traditional IRA.

You can contribute to a Roth IRA even after reaching 70½ if your MAGI is within certain limits. For 2019, if you file your federal tax return as single or head of household, you can make a full Roth contribution if your income is $122,000 or less. Your maximum contribution is phased out if your income is between $122,000 and $137,000, and you can't contribute at all if your income is $137,000 or more. Similarly, if you're married and file a joint federal tax return, you can make a full Roth contribution if your income is $193,000 or less. Your contribution is phased out if your income is between $193,000 and $203,000, and you can't contribute at all if your income is $203,000 or more. And if you're married filing separately, your contribution phases out with any income over $0, and you can't contribute at all if your income is $10,000 or more.

Even if you can't make an annual contribution to a Roth IRA because of the income limits, there's an easy workaround. You can make a nondeductible contribution to a traditional IRA and then immediately convert that traditional IRA to a Roth IRA. Keep in mind, however, that you'll need to aggregate all traditional IRAs and SEP/SIMPLE IRAs you own — other than IRAs you've inherited — when you calculate the taxable portion of your conversion. (This is sometimes called a "back-door" Roth IRA.)

Finally, note that 2019 is the last tax year for which the age 70½ restriction on traditional IRA contributions applies. Due to passage of the SECURE Act in late 2019, beginning with the 2020 tax year, investors over the age of 70½ will be able to contribute to a traditional IRA provided they have compensation equal to at least the amount of the contribution (spousal IRA rules will remain in effect). (Keep in mind that if you're using a back-door Roth IRA strategy for 2019, the age 70½ rule still applies.)

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