Individual Income Tax: IRAs, Alimony and Education-Related Adjustments

Course #3114A

Taxes

2 Credit Hours

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INDIVIDUAL INCOME TAX: IRAS, ALIMONY AND EDUCATION-RELATED ADJUSTMENTS

This course covers some of the adjustments to income that you can deduct in figuring your adjusted gross income. Topics discussed here include: IRAs, Alimony, and education related adjustments.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Individual Retirement Arrangements (IRAs)
Alimony
Education-Related Adjustments

Study the course materials from pages 1 to 59

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recall the thresholds, requirements, and additional taxes related to individual retirement arrangements.
- Recognize what is and is not alimony.
- Identify education-related adjustments that can be made to income.

NOTICE

Program publication date **11/22/2019**

EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.

- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.

- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.

- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.

- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: INDIVIDUAL RETIREMENT ARRANGEMENTS (IRAs)

Chapter Objectives

After completing this chapter, you should be able to:

- Recall the thresholds, requirements, and additional taxes related to individual retirement arrangements.

I. WHAT'S NEW

Traditional IRA contribution and deduction limit. The contribution limit to your traditional IRA for 2019 will be the smaller of the following amounts:

- $6,000, or
- Your taxable compensation for the year.

If you were age 50 or older before 2020, the most that can be contributed to your traditional IRA for 2019 will be the smaller of the following amounts:

- $7,000, or
- Your taxable compensation for the year.

Note

Under a provision of the Consolidated Appropriations Act of 2020, for tax years beginning after 2019, the age restriction on contributions to traditional IRAs is repealed. Therefore, for tax years beginning in 2020 and beyond, you can make contributions after reaching age 70½.

Although the deadline for making a contribution for your 2019 tax year is April 15, 2020, you cannot make a contribution for 2019 if you were age 70½ or older as of December 31, 2019.

Roth IRA contribution limit. If contributions on your behalf are made only to Roth IRAs, your contribution limit for 2019 will generally be the lesser of:

- $6,000, or
- Your taxable compensation for the year.

If you were age 50 or older before 2020 and contributions on your behalf were made only to Roth IRAs, your contribution limit for 2019 will generally be the lesser of:

- $7,000, or
- Your taxable compensation for the year.

However, if your modified adjusted gross income (AGI) is above a certain amount, your contribution limit may be reduced.

Modified AGI limit for traditional IRA contributions increased. For 2019, if you were covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified adjusted gross income (AGI) is:

- More than $103,000 but less than $123,000 for a married couple filing a joint return or a qualifying widow(er),
- More than $64,000 but less than $74,000 for a single individual or head of household, or
- Less than $10,000 for a married individual filing a separate return.

If you either lived with your spouse or file a joint return, and your spouse was covered by a retirement plan at work, but you were not, your deduction is phased out if your AGI is more than $193,000 but less than $203,000. If your AGI is $203,000 or more, you cannot take a deduction for contributions to a traditional IRA.

Modified AGI limit for Roth contributions. For 2019, your Roth IRA contribution limit is reduced (phased out) in the following situations.

- Your filing status is married filing jointly or qualifying widow(er) and your modified AGI is at least $193,000. You cannot make a Roth IRA contribution if your modified AGI is $203,000 or more.
- Your filing status is single, head of household, or married filing separately and you did not live with your spouse at any time in 2019, and your modified AGI is at least $122,000. You cannot make a Roth IRA contribution if your modified AGI is $137,000 or more.
- Your filing status is married filing separately, you lived with your spouse at any time during the year, and your modified AGI is more than -0-. You cannot make a Roth IRA contribution if your modified AGI is $10,000 or more.

Note

The Consolidated Appropriations Act of 2020 includes the following provisions relating to qualified disaster distributions from retirement accounts. A qualified disaster distribution is one made beginning on the first day of the incident period of the qualified disaster and ending on the date which is 180 days after December 20, 2019 (the date of the enactment).

Qualified disaster distributions can be made up to $100,000, and

- Are exempt from the 10% early withdrawal penalty;
- Are exempt from mandatory withholding requirements;
- Are treated as evenly distributed over a three-year period; and
- May be repaid within three years of the distribution.

II. IMPORTANT REMINDERS

Extended rollover period for qualified plan loan off-sets in 2019. For distributions made in 2019, you have until the due date (including extensions) for your tax return for the tax year in which the offset occurs to roll over a qualified plan loan offset amount.

No recharacterizations of conversions made in 2019. A conversion of a traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, made in 2019, cannot be recharacterized as having been made to a traditional IRA.

Statement of required minimum distribution. If a minimum distribution is required from your IRA, the trustee, custodian, or issuer that held the IRA at the end of the preceding year must either report the amount of the required minimum distribution to you, or offer to calculate it for you. The report or offer must include the date by which the amount must be distributed. The report is due January 31 of the year in which the minimum distribution is required. It can be provided with the year-end fair market value statement that you normally get each year. No report is required for IRAs of owners who have died.

IRA interest. Although interest earned from your IRA is generally not taxed in the year earned, it is not tax-exempt interest. Do not report this interest on your tax return as tax-exempt interest.

Net Investment Income Tax. For purposes of the Net Investment Income Tax (NIIT), net investment income does not include distributions from a qualified retirement plan including IRAs (for example 401(a), 403(a), 403(b), 408, 408A, or 457(b) plans). However, these distributions are taken into account when determining the modified adjusted gross income threshold. Distributions from a nonqualified retirement plan are included in net investment income.

Form 8606. To designate contributions as nondeductible, you must file Form 8606, Nondeductible IRAs.