

Publication 590-A

Contributions to Individual Retirement Arrangements (IRAs)

For use in preparing

2024 Returns

Volume 3 of 4



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Excess Contributions Tax

If any part of these contributions is an excess contribution for 2023, it is subject to a 6% excise tax. You won't have to pay the 6% tax if any 2023 excess contribution was withdrawn by April 15, 2024 (including extensions), and if any 2024 excess contribution is withdrawn by April 15, 2025 (including extensions). See Excess Contributions under What Acts Result in Penalties or Additional Taxes, later.



You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution. See Recharacterizations, earlier, for more information.

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Worksheet 1-4. **Determining the Amount of Net Income Due to an IRA Contribution and Total Amount To Be Withdrawn From the IRA**

Keep for Your Records 

1.	Enter the amount of your IRA contribution for 2025 to be returned to you	1.	_____
2.	Enter the fair market value of the IRA immediately prior to the removal of the contribution, plus the amount of any distributions, transfers, and recharacterizations made while the contribution was in the IRA	2.	_____
3.	Enter the fair market value of the IRA immediately before the contribution was made, plus the amount of such contribution and any other contributions, transfers, and recharacterizations made while the contribution was in the IRA	3.	_____
4.	Subtract line 3 from line 2	4.	_____
5.	Divide line 4 by line 3. Enter the result as a decimal (rounded to at least three places)	5.	_____
6.	Multiply line 1 by line 5. This is the net income attributable to the contribution to be returned	6.	_____
7.	Add lines 1 and 6. This is the amount of the IRA contribution plus the net income attributable to it to be returned to you	7.	_____

Worksheet 1-4. **Example—Illustrated**

Keep for Your Records 

1.	Enter the amount of your IRA contribution for 2025 to be returned to you	1.	400
2.	Enter the fair market value of the IRA immediately prior to the removal of the contribution, plus the amount of any distributions, transfers, and recharacterizations made while the contribution was in the IRA	2.	7,600
3.	Enter the fair market value of the IRA immediately before the contribution was made, plus the amount of such contribution and any other contributions, transfers, and recharacterizations made while the contribution was in the IRA	3.	6,400
4.	Subtract line 3 from line 2	4.	1,200
5.	Divide line 4 by line 3. Enter the result as a decimal (rounded to at least three places)	5.	0.1875
6.	Multiply line 1 by line 5. This is the net income attributable to the contribution to be returned	6.	75
7.	Add lines 1 and 6. This is the amount of the IRA contribution plus the net income attributable to it to be returned to you	7.	475

What Acts Result in Penalties or Additional Taxes?

The tax advantages of using traditional IRAs for retirement savings can be offset by additional taxes and penalties if you don't follow the rules. There are excise taxes and other negative tax consequences for using your IRA funds in prohibited transactions. There are also additional taxes for the following activities.

- Investing in collectibles.
- Making excess contributions.
- Taking early distributions.
See Pub. 590-B.
- Allowing excess amounts to accumulate (failing to take required distributions). See Pub. 590-B.
- Having unrelated business income.

There are penalties for overstating the amount of nondeductible contributions and for failure to file Form 8606, if required.

This chapter discusses those acts that you should avoid and the additional taxes and other costs, including loss of IRA status, that apply if you don't avoid those acts.

Prohibited Transactions

Generally, a prohibited transaction is any improper use of your traditional IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are some examples of prohibited transactions with a traditional IRA.

- Borrowing money from it.
- Selling property to it.

- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.



If your IRA is invested in nonpublicly traded assets or assets that you directly control, the risk of engaging in a prohibited transaction in connection with your account may be increased.

Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your IRA or exercises any authority or control in managing or disposing of its assets.
- Provides investment advice to your IRA for a fee, or has any authority or responsibility to do so.

- Has any discretionary authority or discretionary responsibility in administering your IRA.

Effect on an IRA account. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your traditional IRA account at any time during the year, the account stops being an IRA as of the first day of that year.

However, if you own more than one IRA, each IRA is treated as a separate account, and loss of IRA status only affects that IRA that participated in the prohibited transaction.

Effect on you or your beneficiary. If your account stops being an IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than your basis in the IRA, you will have a taxable gain that is includible in your income.

For information on figuring your gain and reporting it in income, see *Are Distributions Taxable?* in Pub. 590-B. The distribution may be subject to additional taxes or penalties.

Borrowing on an annuity contract. If you borrow money against your traditional IRA annuity contract, you must include in your gross income the fair market value of the annuity contract as of the first day of your tax year. You may have to pay the 10% additional tax on early distributions discussed in Pub. 590-B.

Pledging an account as security. If you use a part of your traditional IRA account as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions discussed in Pub. 590-B.

Trust account set up by an employer or an employee association. Your account or annuity doesn't lose its IRA treatment if your

employer or the employee association with whom you have your traditional IRA engages in a prohibited transaction.

Owner participation. If you participate in the prohibited transaction with your employer or the association, your account is no longer treated as an IRA.

Taxes on prohibited transactions. If someone other than the owner or beneficiary of a traditional IRA engages in a prohibited transaction, that person may be liable for certain taxes. In general, there is a 15% tax on the amount involved in the prohibited transaction and a 100% additional tax if the transaction isn't corrected.

Loss of IRA status. If the traditional IRA ceases to be an IRA because of a prohibited transaction by you or your beneficiary, you or your beneficiary isn't liable for these excise taxes. However, you or your beneficiary may have to pay other taxes, as discussed under *Effect on you or your beneficiary*, earlier.

Exempt Transactions

The Department of Labor (DOL) has authority to grant administrative exemptions from the prohibited transaction provisions of the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code for a class of transactions or for individual transactions. In order to grant an administrative exemption, the DOL must make the following three determinations.

1. The exemption must be administratively feasible.
2. In the interest of the plan and its participants.
3. Protective of the rights of plan participants and beneficiaries.

For additional information on prohibited transaction exemptions, see the [Exemptions](#) page on the Department of Labor website.

For information on filing and the processing of prohibited transactions exemption applications, see [*Procedures Governing the Filing and Processing of Prohibited Transaction Exemption Applications.*](#)

The following two types of transactions aren't prohibited transactions if they meet the requirements that follow.

- Payments of cash, property, or other consideration by the trustee of your traditional IRA to you (or members of your family).
- Your receipt of services at reduced or no cost from the bank where your traditional IRA is established or maintained.

Payments of cash, property, or other consideration. Even if a trustee makes payments to you or your family, there is no prohibited transaction if all three of the following requirements are met.

1. The payments are for establishing a traditional IRA or for making additional contributions to it.
2. The IRA is established solely to benefit you, your spouse, and your or your spouse's beneficiaries.
3. During the year, the total fair market value of the payments you receive isn't more than:
 - a. \$10 for IRA deposits of less than \$5,000, or
 - b. \$20 for IRA deposits of \$5,000 or more.

If the consideration is group-term life insurance, requirements (1) and (3) don't apply if no more than \$5,000 of the face value of the insurance is based on a dollar-for-dollar basis on the assets in your IRA.

Services received at reduced or no cost.

Even if a trustee provides services at reduced or no cost, there is no prohibited transaction if all of the following requirements are met.

- The traditional IRA qualifying you to receive the services is established and maintained for the benefit of you, your spouse, and your or your spouse's beneficiaries.
- The bank itself can legally offer the services.
- The services are provided in the ordinary course of business by the bank (or a bank affiliate) to customers who qualify but don't maintain an IRA (or a Keogh plan).
- The determination, for a traditional IRA, of who qualifies for these services is based on an IRA (or a Keogh plan) deposit balance equal to the lowest qualifying balance for any other type of account.

- The rate of return on a traditional IRA investment that qualifies isn't less than the return on an identical investment that could have been made at the same time at the same branch of the bank by a customer who isn't eligible for (or doesn't receive) these services.

Investment in Collectibles

If your traditional IRA invests in collectibles, the amount invested is considered distributed to you in the year invested. You may have to pay the 10% additional tax on early distributions discussed in Pub. 590-B.

Any amounts that were considered to be distributed when the investment in the collectible was made, and which were included in your income at that time, aren't included in your income when the collectible is actually distributed from your IRA.

Collectibles. These include:

- Artworks,
- Rugs,
- Antiques,
- Metals,
- Gems,
- Stamps,
- Coins,
- Alcoholic beverages, and
- Certain other tangible personal property.

Exception. Your IRA can invest in one, one-half, one-quarter, or one-tenth ounce U.S. gold coins, or one-ounce silver coins minted by the Treasury Department. It can also invest in certain platinum coins and certain gold, silver, palladium, and platinum bullion.

Unrelated Business Income

An IRA is subject to tax on unrelated business income if it carries on an unrelated trade or business. An unrelated trade or business means any trade or business regularly carried on by the IRA or by a partnership of which it is a member. If the IRA has \$1,000 or more of unrelated trade or business gross income, the IRA trustee is required to file a Form 990-T, Exempt Organization Business Income Tax Return. The Form 990-T must be filed by the 15th day of the 4th month after the end of the IRA's tax year. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, for more information.

Excess Contributions

Generally, an excess contribution is the amount contributed to your traditional IRAs for the year that is more than the smaller of:

- \$7,000 (\$8,000 if you are age 50 or older), or

- Your taxable compensation for the year.

The taxable compensation limit applies whether your contributions are deductible or nondeductible.

An excess contribution could be the result of your contribution, your spouse's contribution, your employer's contribution, or an improper rollover contribution. If your employer makes contributions on your behalf to a SEP IRA, see chapter 2 of Pub. 560.

Tax on Excess Contributions

In general, if the excess contributions for a year aren't withdrawn by the date your return for the year is due (including extensions), you are subject to a 6% tax. You must pay the 6% tax each year on excess amounts that remain in your traditional IRA at the end of your tax year. The tax can't be more than 6% of the combined value of all your IRAs as of the end of your tax year.

The additional tax is figured on Form 5329. For information on filing Form 5329, see Reporting Additional Taxes, later.

Example. For 2024, you are 45 years old and single. Your compensation is \$31,000 and you contributed \$7,500 to your traditional IRA. You have made an excess contribution to your IRA of \$500 (\$7,500 minus the \$7,000 limit). The contribution earned \$5 interest in 2024 and \$6 interest in 2025 before the due date of the return, including extensions. You don't withdraw the \$500 or the interest it earned by the due date of your return, including extensions.

You figure your additional tax for 2024 by multiplying the excess contribution (\$500) shown on Form 5329, line 16, by 0.06, giving you an additional tax liability of \$30. You enter the tax on Form 5329, line 17, and on Schedule 2 (Form 1040), line 8. See the filled-in Form 5329, later.

Excess Contributions Withdrawn by Due Date of Return

You won't have to pay the 6% tax if you withdraw an excess contribution made during a tax year and you also withdraw any interest or other income earned on the excess contribution. You must complete your withdrawal by the date your tax return for that year is due, including extensions.

How to treat withdrawn contributions.

Don't include in your gross income an excess contribution that you withdraw from your traditional IRA before your tax return is due if both of the following conditions are met.

- No deduction was allowed for the excess contribution.
- You withdraw the interest or other income earned on the excess contribution.

You can take into account any loss on the contribution while it was in the IRA when calculating the amount that must be

withdrawn. If there was a loss, the net income you must withdraw may be a negative amount.

In most cases, the net income you must transfer will be determined by your IRA trustee or custodian. If you need to determine the applicable net income you need to withdraw, you can use the same method that was used on Worksheet 1-3.

If you timely filed your 2024 tax return without withdrawing a contribution that you made in 2024, you can still have the contribution returned to you within 6 months of the due date of your 2024 tax return, excluding extensions. If you do, file an amended return with "Filed pursuant to section 301.9100-2" written at the top. Report any related earnings on the amended return and include an explanation of the withdrawal.

Make any other necessary changes on the amended return (for example, if you reported the contributions as excess contributions on your original return, include an amended Form 5329 reflecting that the withdrawn contributions are no longer treated as having been contributed).

How to treat withdrawn interest or other income. You must include in your gross income the interest or other income that was earned on the excess contribution. Report it on your return for the year in which the excess contribution was made. Your withdrawal of interest or other income may be subject to an additional 10% tax on early distributions discussed in Pub. 590-B.

Beginning on or after December 29, 2022, the 10% additional tax will not apply to your withdrawal of interest or other income, if withdrawn on or before the due date (including extensions) of the income tax return. See Pub. 590-B for more information.

Form 1099-R. You will receive Form 1099-R indicating the amount of the withdrawal. If the excess contribution was made in a previous tax year, the form will indicate the year in which the earnings are taxable.

Example. Maria, age 35, made an excess contribution in 2024 of \$1,000, which she withdrew by April 15, 2025, the due date of her return. At the same time, she also withdrew the \$50 income that was earned on the \$1,000. She must include the \$50 in her gross income for 2024 (the year in which the excess contribution was made).

Maria doesn't have to report the excess contribution as income or pay the 6% additional tax because she withdrew the excess contribution by the due date of her return. Maria receives a Form 1099-R showing that the earnings are taxable for 2024.

Excess Contributions Withdrawn After Due Date of Return

In general, you must include all distributions (withdrawals) from your traditional IRA in your gross income. However, if the following conditions are met, you can withdraw excess contributions from your IRA and not include the amount withdrawn in your gross income.

- Total contributions (other than rollover contributions) for 2024 to your IRA weren't more than \$7,000 (\$8,000 if you are age 50 or older).
- You didn't take a deduction for the excess contribution being withdrawn.

The withdrawal can take place at any time, even after the due date, including extensions, for filing your tax return for the year.

Excess contribution deducted in an earlier year. If you deducted an excess contribution in an earlier year for which the total contributions weren't more than the

maximum deductible amount for that year (see the following table), you can still remove the excess from your traditional IRA and not include it in your gross income. To do this, file Form 1040-X for that year and don't deduct the excess contribution on the amended return. Generally, you can file an amended return within 3 years after you filed your return, or 2 years from the time the tax was paid, whichever is later.

Year(s)	Contribution limit	Contribution limit if age 50 or older at the end of the year
2023	\$6,500	\$7,500
2019 through 2022	\$6,000	\$7,000

2013 through 2018	\$5,500	\$6,500
2008 through 2012	\$5,000	\$6,000
2006 or 2007	\$4,000	\$5,000
2005	\$4,000	\$4,500
2002 through 2004	\$3,000	\$3,500
1997 through 2001	\$2,000	—

before 1997	\$2,250	—
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Excess due to incorrect rollover

information. If an excess contribution in your traditional IRA is the result of a rollover and the excess occurred because the information the plan was required to give you was incorrect, you can withdraw the excess contribution. The limits mentioned above are increased by the amount of the excess that is due to the incorrect information. You will have to amend your return for the year in which the excess occurred to correct the reporting of the rollover amounts in that year. Don't include in your gross income the part of the excess contribution caused by the incorrect information.

Deducting an Excess Contribution in a Later Year

You can't apply an excess contribution to an earlier year even if you contributed less than the maximum amount allowable for the earlier year. However, you may be able to apply it to a later year if the contributions for that later year are less than the maximum allowed for that year.

You can deduct excess contributions for previous years that are still in your traditional IRA. The amount you can deduct this year is the lesser of the following two amounts.

- Your maximum IRA deduction for this year minus any amounts contributed to your traditional IRAs for this year.
- The total excess contributions in your IRAs at the beginning of this year.

This method lets you avoid making a withdrawal. It doesn't, however, let you avoid the 6% tax on any excess contributions remaining at the end of a tax year.

To figure the amount of excess contributions for previous years that you can deduct this year, see Worksheet 1-5.

Worksheet 1-5. Excess Contributions Deductible This Year

Use this worksheet to figure the amount of excess contributions from prior years you can deduct this year.

- | | |
|--|-----------------|
| 1. Maximum IRA deduction for the current year..... | 1. _____ |
| 2. IRA contributions for the current year..... | 2. _____ |
| 3. Subtract line 2 from line 1. If zero or less, enter -0-..... | 3. _____ |

4. Excess contributions in IRA at beginning of year..... **4.** _____

5. Enter the lesser of line 3 or line 4. This is the amount of excess contributions for previous years that you can deduct this year..... **5.** _____

Example. You were entitled to contribute to your traditional IRA and deduct \$1,000 in 2023 and \$1,500 in 2024 (the amounts of your taxable compensation for these years). For 2023, you contributed \$1,400 but could deduct only \$1,000. In 2023, \$400 is an excess contribution subject to the 6% tax. However, you wouldn't have to pay the 6% tax if you withdrew the excess (including any earnings) before the due date of your 2023 return. Because you didn't withdraw the excess, you owe excise tax of \$24 for 2023.

To avoid the excise tax for 2024, you can correct the \$400 excess amount from 2023 in 2024 if your actual contributions are only \$1,100 for 2024 (the allowable deductible contribution of \$1,500 minus the \$400 excess from 2023 you want to treat as a deductible contribution in 2024). You can deduct \$1,500 in 2024 (the \$1,100 actually contributed plus the \$400 excess contribution from 2023).

This is shown on Worksheet 1-5.

Example—Illustrated.

Worksheet 1-5. **Example—Illustrated**

Use this worksheet to figure the amount of excess contributions from prior years you can deduct this year.

- | | |
|---|------------------------|
| 1. Maximum IRA deduction for the current year..... | 1. <u>1,500</u> |
| 2. IRA contributions for the current year..... | 2. <u>1,100</u> |

- | | | |
|--|-----------|------------|
| 3. Subtract line 2 from line 1. If zero or less, enter -0-..... | 3. | <u>400</u> |
| 4. Excess contributions in IRA at beginning of year..... | 4. | <u>400</u> |
| 5. Enter the lesser of line 3 or line 4. This is the amount of excess contributions for previous years that you can deduct this year..... | 5. | <u>400</u> |

Closed tax year. A special rule applies if you incorrectly deducted part of the excess contribution in a closed tax year (one for which the period to assess a tax deficiency has expired). The amount allowable as a traditional IRA deduction for a later correction year (the year you contribute less than the allowable amount) must be reduced by the amount of the excess contribution deducted in the closed year.

Name of individual subject to additional tax. If married filing jointly, see instructions. <i>Paul Jones</i>		Your social security number <i>003-00-0000</i>	
Fill in Your Address Only if You Are Filing This Form by Itself and Not With Your Tax Return	Home address (number and street), or P.O. box if mail is not delivered to your home		Apt. no.
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below. See instructions.		If this is an amended return, check here <input type="checkbox"/>
	Foreign country name	Foreign province/state/county	Foreign postal code

If you **only** owe the additional 10% tax on the full amount of the early distributions, you may be able to report this tax directly on Schedule 2 (Form 1040), line 8, without filing Form 5329. See instructions.

Part I Additional Tax on Early Distributions. Complete this part if you took a taxable distribution (other than a qualified disaster distribution) before you reached age 59½ from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Schedule 2 (Form 1040)—see above). You may also have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions. See instructions.

1	Early distributions includible in income (see instructions). For Roth IRA distributions, see instructions.	1	
2	Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions:	2	
3	Amount subject to additional tax. Subtract line 2 from line 1	3	
4	Additional tax. Enter 10% (0.10) of line 3. Include this amount on Schedule 2 (Form 1040), line 8 Caution: If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10%. See instructions.	4	

Part II Additional Tax on Certain Distributions From Education Accounts and ABLER Accounts. Complete this part if you included an amount in income, on Schedule 1 (Form 1040), line 8z, from a Coverdell education savings account (ESA) or a qualified tuition program (QTP), or on Schedule 1 (Form 1040), line 8q, from an ABLER account.

5	Distributions included in income from a Coverdell ESA, a QTP, or an ABLER account	5	
6	Distributions included on line 5 that are not subject to the additional tax (see instructions)	6	
7	Amount subject to additional tax. Subtract line 6 from line 5	7	
8	Additional tax. Enter 10% (0.10) of line 7. Include this amount on Schedule 2 (Form 1040), line 8	8	

Part III Additional Tax on Excess Contributions to Traditional IRAs. Complete this part if you contributed more to your traditional IRAs for 2024 than is allowable or you had an amount on line 17 of your 2023 Form 5329.

9	Enter your excess contributions from line 16 of your 2023 Form 5329. See instructions. If zero, go to line 15	9	
10	If your traditional IRA contributions for 2024 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10	
11	2024 traditional IRA distributions included in income (see instructions)	11	
12	2024 distributions of prior year excess contributions (see instructions)	12	
13	Add lines 10, 11, and 12	13	
14	Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14	
15	Excess contributions for 2024 (see instructions)	15	500
16	Total excess contributions. Add lines 14 and 15	16	500
17	Additional tax. Enter 6% (0.06) of the smaller of line 16 or the value of your traditional IRAs on December 31, 2024 (including 2024 contributions made in 2025). Include this amount on Schedule 2 (Form 1040), line 8	17	30

Part IV Additional Tax on Excess Contributions to Roth IRAs. Complete this part if you contributed more to your Roth IRAs for 2024 than is allowable or you had an amount on line 25 of your 2023 Form 5329.

18	Enter your excess contributions from line 24 of your 2023 Form 5329. See instructions. If zero, go to line 23	18	
19	If your Roth IRA contributions for 2024 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19	
20	2024 distributions from your Roth IRAs (see instructions)	20	
21	Add lines 19 and 20	21	
22	Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Excess contributions for 2024 (see instructions)	23	
24	Total excess contributions. Add lines 22 and 23	24	
25	Additional tax. Enter 6% (0.06) of the smaller of line 24 or the value of your Roth IRAs on December 31, 2024 (including 2024 contributions made in 2025). Include this amount on Schedule 2 (Form 1040), line 8	25	

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To figure the amount of excess contributions for previous years that you can deduct this year if you incorrectly deducted part of the excess contribution in a closed tax year, see Worksheet 1-6.

**Worksheet 1-6. Excess Contributions
Deductible This**

**Year if Any Were Deducted in a Closed
Tax Year**

Use this worksheet to figure the amount of excess contributions for prior years that you can deduct this year if you incorrectly deducted excess contributions in a closed tax year.

- 1.** Maximum IRA deduction for the current year..... **1.** _____
- 2.** IRA contributions for the current year..... **2.** _____

- 3.** If line 2 is less than line 1,
enter any excess
contributions that were
deducted in a closed tax year.
Otherwise, enter -0-..... **3.**
- 4.** Subtract line 3 from line 1... **4.**
- 5.** Subtract line 2 from line 4. If
zero or less, enter -0-..... **5.**
- 6.** Excess contributions in IRA at
beginning of year..... **6.**
- 7.** Enter the lesser of line 5 or
line 6. This is the amount of
excess contributions for
previous years that you can
deduct this year..... **7.**

Reporting Additional Taxes

Generally, you must use Form 5329 to report the tax on excess contributions, early distributions, and excess accumulations.

Filing a tax return. If you must file an individual income tax return, complete Form 5329 and attach it to your Form 1040, 1040-SR, or 1040-NR. Enter the total additional taxes due on Schedule 2 (Form 1040), line 8.

Not filing a tax return. If you don't have to file a return, but do have to pay one of the additional taxes mentioned earlier, file the completed Form 5329 with the IRS at the time and place you would have filed Form 1040, 1040-SR, or 1040-NR. Be sure to include your address on page 1 and your signature and date on page 2. Enclose, but don't attach, a check or money order made payable to "United States Treasury" for the tax you owe, as shown on Form 5329. Write your social security number and "2024 Form 5329" on your check or money order.

Form 5329 not required. You don't have to use Form 5329 if either of the following situations exists.

- Distribution code 1 is correctly shown in box 7 of Forms 1099-R. If distribution code 1 is correctly shown in box 7 of all your Forms 1099-R and you owe the additional tax on the full amount shown on each Form 1099-R, you don't have to file Form 5239. Instead, see the instructions for Schedule 2 (Form 1040), line 8, in the Instructions for Form 1040, or the Instructions for Form 1040-NR, for how to report the 10% additional tax directly on that line.
- If you rolled over part or all of a distribution from a qualified retirement plan, the part rolled over isn't subject to the 10% additional tax on early distributions. See the instructions for Form 1040, or 1040-NR, lines 4a and 4b or lines 5a and 5b, for how to report the rollover.

2.

Roth IRAs

Reminders

Deemed IRAs. For plan years beginning after 2002, a qualified employer plan (retirement plan) can maintain a separate account or annuity under the plan (a deemed IRA) to receive voluntary employee contributions. If the separate account or annuity otherwise meets the requirements of an IRA, it will be subject only to IRA rules. An employee's account can be treated as a traditional IRA or a Roth IRA.

For this purpose, a “qualified employer plan” includes:

- A qualified pension, profit-sharing, or stock bonus plan (section 401(a) plan);
- A qualified employee annuity plan (section 403(a) plan);

- A tax-sheltered annuity plan (section 403(b) plan); and
- A deferred compensation plan (section 457 plan) maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state.

Designated Roth accounts. Designated Roth accounts are separate accounts under section 401(k), 403(b), or 457(b) plans that accept elective deferrals that are referred to as “Roth contributions.” These elective deferrals are included in your income, but qualified distributions from these accounts aren’t included in your income. Designated Roth accounts aren’t IRAs and shouldn’t be confused with Roth IRAs. Contributions, up to their respective limits, can be made to Roth IRAs and designated Roth accounts according to your eligibility to participate. A contribution to one doesn’t impact your eligibility to contribute to the other.

See Pub. 575 for more information on designated Roth accounts.

Introduction

Regardless of your age, you may be able to establish and make nondeductible contributions to an individual retirement plan called a Roth IRA.

Contributions not reported. You don't report Roth IRA contributions on your return.

What Is a Roth IRA?

A Roth IRA is an individual retirement plan that, except as explained in this chapter, is subject to the rules that apply to a traditional IRA (defined next). It can be either an account or an annuity. Individual retirement accounts and annuities are described in chapter 1 under *How Can a Traditional IRA Be Opened*. Roth IRAs include Roth IRAs that receive employer contributions from SEP arrangements.

To be a Roth IRA, the account or annuity must be designated as a Roth IRA when it is opened.

Unlike a traditional IRA, you can't deduct contributions to a Roth IRA. But, if you satisfy the requirements, qualified distributions (discussed in chapter 2 of Pub. 590-B) are tax free, and if you choose, you can leave amounts in your Roth IRA as long as you live.



Beginning in 2023, SEP and SIMPLE IRAs can be designated as Roth IRAs.

Traditional IRA. A traditional IRA is any IRA that isn't a Roth IRA or SIMPLE IRA.

Traditional IRAs are discussed in chapter 1. SIMPLE IRAs are discussed in Pub. 560.

When Can a Roth IRA Be Opened?

You can open a Roth IRA at any time. However, the time for making contributions for any year is limited.

See *When Can You Make Contributions*, later, under *Can You Contribute to a Roth IRA*.

Can You Contribute to a Roth IRA?

Generally, you can contribute to a Roth IRA if you have taxable compensation (defined later) and your modified AGI (defined later) is less than:

- \$240,000 for married filing jointly or qualifying surviving spouse;
- \$161,000 for single, head of household, or married filing separately and you didn't live with your spouse at any time during the year; and
- \$10,000 for married filing separately and you lived with your spouse at any time during the year.



You may be able to claim a credit for contributions to your Roth IRA. For more information, see chapter 3.

Is there an age limit for contributions?

Contributions can be made to your Roth IRA regardless of your age.

Can you contribute to a Roth IRA for your spouse? You can contribute to a Roth IRA for your spouse, provided the contributions satisfy the Kay Bailey Hutchison Spousal IRA limit discussed in chapter 1 under How Much Can Be Contributed, you file jointly, and your modified AGI is less than \$240,000.

Compensation. Compensation includes wages, salaries, tips, professional fees, bonuses, and other amounts received for providing personal services. It also includes commissions, self-employment income, nontaxable combat pay, military differential pay, taxable alimony and separate maintenance payments,

and taxable non-tuition fellowship and stipend payments. For more information, see *What Is Compensation* under *Who Can Open a Traditional IRA?* in chapter 1.

Modified AGI. Your modified AGI for Roth IRA purposes is your AGI as shown on your return with some adjustments. Use Worksheet 2-1 to determine your modified AGI.



Don't subtract conversion income when figuring your other AGI-based phaseouts and taxable income, such as your deduction for medical and dental expenses. Subtract them from AGI only for the purpose of figuring your modified AGI for Roth IRA purposes.

How Much Can Be Contributed?

The contribution limit for Roth IRAs generally depends on whether contributions are made only to Roth IRAs or to both traditional IRAs and Roth IRAs.

Roth IRAs only. If contributions are made only to Roth IRAs, your contribution limit is generally the lesser of:

- \$7,000 (\$8,000 if you are age 50 or older), or
- Your taxable compensation.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced, as explained later under *Contribution limit reduced.*

Roth IRAs and traditional IRAs. If contributions are made to both Roth IRAs and traditional IRAs established for your benefit, your contribution limit for Roth IRAs is generally the same as your limit would be if contributions were made only to Roth IRAs, but then reduced by all contributions for the year to all IRAs other than Roth IRAs. Employer contributions under a SEP or SIMPLE IRA plan don't affect this limit.

This means that your contribution limit is the lesser of:

- \$7,000 (\$8,000 if you are age 50 or older) minus all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs, or
- Your taxable compensation minus all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced, as explained later under *Contribution limit reduced*.

SEPs and SIMPLE plans are discussed in Pub. 560.

Repayment of reservist distributions. You can repay qualified reservist distributions even if the repayments would cause your

total contributions to the Roth IRA to be more than the general limit on contributions.

However, the total repayments can't be more than the amount of your distribution.

Note. If you make repayments of qualified reservist distributions to a Roth IRA, increase your basis in the Roth IRA by the amount of the repayment. For more information, see *Qualified reservist repayments* under *How Much Can Be Contributed?* in chapter 1.

Contribution limit reduced. If your modified AGI is above a certain amount, your contribution limit is gradually reduced. Use Table 2-1 to determine if this reduction applies to you.

Figuring the reduction. If the amount you can contribute must be reduced, use Worksheet 2-2 to figure your reduced contribution limit.



Round your reduced contribution limit up to the nearest \$10. If your reduced contribution limit is more than \$0, but less than \$200, increase the limit to \$200.

Example. You are a 45-year-old, single individual with taxable compensation of \$146,000. You want to make the maximum allowable contribution to your Roth IRA for 2024. Your modified AGI for 2024 is \$146,000. You haven't contributed to any traditional IRA, so the maximum contribution limit before the modified AGI reduction is \$7,000. You figure your reduced Roth IRA contribution of \$6,530 as shown on Worksheet 2-2. Example—Illustrated.

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Worksheet 2-1. **Modified Adjusted Gross Income for Roth IRA Purposes**

Use this worksheet to figure your modified adjusted gross income for Roth IRA purposes.

1. Enter your adjusted gross income from Form 1040, 1040-SR, or 1040-NR, line 11	1. _____
2. Enter any income resulting from the conversion of an IRA (other than a Roth IRA) to a Roth IRA (included on Form 1040, 1040-SR, or 1040-NR, line 4b) and a rollover from a qualified retirement plan to a Roth IRA (included on Form 1040, 1040-SR, or 1040-NR, line 5b)	2. _____
3. Subtract line 2 from line 1	3. _____
4. Enter any traditional IRA deduction from Schedule 1 (Form 1040), line 20	4. _____
5. Enter any student loan interest deduction from Schedule 1 (Form 1040), line 21	5. _____
6. Enter any foreign earned income exclusion and/or housing exclusion from Form 2555, line 45	6. _____
7. Enter any foreign housing deduction from Form 2555, line 50	7. _____
8. Enter any excludable qualified savings bond interest from Form 8815, line 14	8. _____
9. Enter any excluded employer-provided adoption benefits from Form 8839, line 28	9. _____
10. Add the amounts on lines 3 through 9	10. _____
11. Enter: • \$240,000 if married filing jointly or qualifying surviving spouse, • \$10,000 if married filing separately and you lived with your spouse at any time during the year, or • \$161,000 for all others	11. _____

Is the amount on line 10 more than the amount on line 11?
If "Yes," see the *Note* below.
If "No," the amount on line 10 is your **modified adjusted gross income** for Roth IRA purposes.

Note. If the amount on line 10 is more than the amount on line 11 and you have other income or loss items, such as social security income or passive activity losses, that are subject to AGI-based phaseouts, you can refigure your AGI solely for the purpose of figuring your modified AGI for Roth IRA purposes. (If you receive social security benefits, use [Worksheet 1](#) in Appendix B to refigure your AGI.) Then, go to line 3 above in this Worksheet 2-1 to refigure your modified AGI. If you don't have other income or loss items subject to AGI-based phaseouts, your modified adjusted gross income for Roth IRA purposes is the amount on line 10 above.

Table 2-1. Effect of Modified AGI on Roth IRA Contribution

This table shows whether your contribution to a Roth IRA is affected by the amount of your modified adjusted gross income (modified AGI).

IF you have taxable compensation and your filing status is...	AND your modified AGI is...	THEN...
married filing jointly or qualifying surviving spouse	less than \$230,000	you can contribute up to \$7,000 (\$8,000 if you are age 50 or older) as explained under How Much Can Be Contributed , earlier.
	at least \$230,000 but less than \$240,000	the amount you can contribute is reduced as explained under Contribution limit reduced , earlier.
	\$240,000 or more	you can't contribute to a Roth IRA.
married filing separately (and you lived with your spouse at any time during the year)	zero (-0-)	you can contribute up to \$7,000 (\$8,000 if you are age 50 or older) as explained under How Much Can Be Contributed , earlier.
	more than zero (-0-) but less than \$10,000	the amount you can contribute is reduced as explained under Contribution limit reduced , earlier.
	\$10,000 or more	you can't contribute to a Roth IRA.
single, head of household, or married filing separately (and you didn't live with your spouse at any time during the year)	less than \$146,000	you can contribute up to \$7,000 (\$8,000 if you are age 50 or older) as explained under How Much Can Be Contributed , earlier.
	at least \$146,000 but less than \$161,000	the amount you can contribute is reduced as explained under Contribution limit reduced , earlier.
	\$161,000 or more	you can't contribute to a Roth IRA.

Worksheet 2-2. **Determining Your Reduced Roth IRA Contribution Limit**

Before using this worksheet, check [Table 2-1](#) to determine whether or not your Roth IRA contribution limit is reduced. If it is, use this worksheet to determine how much it is reduced.

1. Enter your modified AGI for Roth IRA purposes (Worksheet 2-1, line 10)	1. _____
2. Enter: • \$230,000 if filing a joint return or qualifying surviving spouse, • \$-0- if married filing a separate return and you lived with your spouse at any time in 2024, or • \$146,000 for all others	2. _____
3. Subtract line 2 from line 1	3. _____
4. Enter: • \$10,000 if filing a joint return or qualifying surviving spouse or married filing a separate return and you lived with your spouse at any time during the year, or • \$15,000 for all others	4. _____
5. Divide line 3 by line 4 and enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	5. _____
6. Enter the lesser of: • \$7,000 (\$8,000 if you are age 50 or older), or • Your taxable compensation	6. _____
7. Multiply line 5 by line 6	7. _____
8. Subtract line 7 from line 6. Round the result up to the nearest \$10. If the result is less than \$200, enter \$200	8. _____
9. Enter contributions for the year to other IRAs	9. _____
10. Subtract line 9 from line 6	10. _____
11. Enter the lesser of line 8 or line 10. This is your reduced Roth IRA contribution limit	11. _____

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When Can You Make Contributions?

You can make contributions to a Roth IRA for a year at any time during the year or by the due date of your return for that year (not including extensions).



You can make contributions for 2024 by the due date (not including extensions) for filing your 2024 tax return. This means that most people can make contributions for 2024 by April 15, 2025.

What if You Contribute Too Much?

A 6% excise tax applies to any excess contribution to a Roth IRA.

Excess contributions. These are the contributions to your Roth IRAs for a year that equal the total of:

1. Amounts contributed for the tax year to your Roth IRAs (other than amounts properly and timely rolled over from a

Roth IRA or properly converted from a traditional IRA or rolled over from a qualified retirement plan, as described later) that are more than your contribution limit for the year (explained earlier under *How Much Can Be Contributed*); plus

2. Any excess contributions for the preceding year, reduced by the total of:
 - a. Any distributions out of your Roth IRAs for the year, plus
 - b. Your contribution limit for the year minus your contributions to all your IRAs for the year.

Worksheet 2-2. **Example—Illustrated**

Before using this worksheet, check [Table 2-1](#) to determine whether or not your Roth IRA contribution limit is reduced. If it is, use this worksheet to determine how much it is reduced.

1. Enter your modified AGI for Roth IRA purposes (Worksheet 2-1, line 10)	1. _____	147,000
2. Enter: <ul style="list-style-type: none">• \$230,000 if filing a joint return or qualifying surviving spouse,• \$-0- if married filing a separate return and you lived with your spouse at any time in 2024, or• \$146,000 for all others	2. _____	146,000
3. Subtract line 2 from line 1	3. _____	1,000
4. Enter: <ul style="list-style-type: none">• \$10,000 if filing a joint return or qualifying surviving spouse or married filing a separate return and you lived with your spouse at any time during the year, or• \$15,000 for all others	4. _____	15,000
5. Divide line 3 by line 4 and enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	5. _____	0.067
6. Enter the lesser of: <ul style="list-style-type: none">• \$7,000 (\$8,000 if you are age 50 or older), or• Your taxable compensation	6. _____	7,000
7. Multiply line 5 by line 6	7. _____	469
8. Subtract line 7 from line 6. Round the result up to the nearest \$10. If the result is less than \$200, enter \$200	8. _____	6,540
9. Enter contributions for the year to other IRAs	9. _____	0
10. Subtract line 9 from line 6	10. _____	7,000
11. Enter the lesser of line 8 or line 10. This is your reduced Roth IRA contribution limit	11. _____	6,540

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Withdrawal of excess contributions. For purposes of determining excess contributions, any contribution that is withdrawn on or before the due date (including extensions) for filing your tax return for the year is treated as an amount not contributed.

This treatment only applies if any earnings on the contributions are also withdrawn. The earnings are considered earned and received in the year the excess contribution was made.

If you timely filed your 2024 tax return without withdrawing a contribution that you made in 2024, you can still have the contribution returned to you within 6 months of the due date of your 2024 tax return, excluding extensions. If you do, file an amended return with “Filed pursuant to section 301.9100-2” written at the top. Report any related earnings on the amended return and include an explanation of the withdrawal. Make any other necessary changes on the amended return.

Applying excess contributions. If contributions to your Roth IRA for a year were more than the limit, you can apply the excess contribution in 1 year to a later year if the contributions for that later year are less than the maximum allowed for that year.

Can You Move Amounts Into a Roth IRA?

You may be able to convert amounts from either a traditional or traditional SIMPLE IRA into a Roth IRA or Roth SIMPLE IRA. You may be able to roll over amounts from a qualified retirement plan to a Roth IRA. You may be able to recharacterize contributions made to one IRA as having been made directly to a different IRA. You can roll amounts over from a designated Roth account or from one Roth IRA to another Roth IRA.

Conversions

You can convert a traditional IRA to a Roth IRA. The conversion is treated as a rollover, regardless of the conversion method used. Most of the rules for rollovers, described in chapter 1 under *Rollover From One IRA Into Another*, apply to these rollovers. However, the 1-year waiting period doesn't apply.

Conversion methods. You can convert amounts from a traditional IRA to a Roth IRA in any of the following three ways.

- ***Rollover.*** You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days after the distribution.
- ***Trustee-to-trustee transfer.*** You can direct the trustee of the traditional IRA to transfer an amount from the traditional IRA to the trustee of the Roth IRA.

- ***Same trustee transfer.*** If the trustee of the traditional IRA also maintains the Roth IRA, you can direct the trustee to transfer an amount from the traditional IRA to the Roth IRA.

Same trustee. Conversions made with the same trustee can be made by redesignating the traditional IRA as a Roth IRA, rather than opening a new account or issuing a new contract.

Qualified tuition program rollover to a Roth IRA. Beginning with distributions made after December 31, 2023, a beneficiary of a section 529 qualified tuition program is permitted to roll over a distribution from the section 529 account to a Roth IRA for the beneficiary if certain requirements are met.

- The rollover must be paid through a direct trustee-to-trustee transfer to a Roth IRA maintained for the benefit of the beneficiary.

- The rollover amount for a year cannot be more than the Roth IRA annual contributions limit, and all such rollovers for the individual's lifetime cannot exceed \$35,000.
- The rollover must be from a section 529 account that has been open for more than 15 years.
- The distribution cannot exceed the aggregate amount contributed to the program (and earnings attributed to the contributed amount) before the 5-year period ending on the date of the distribution.

A distribution made after December 31, 2024, and before April 15, 2025, that is rolled over to a Roth IRA by April 15, 2025, and designated for 2024 would be reported as a Roth IRA contribution for 2024.

Income. You must include in your gross income distributions from a traditional IRA that you would have had to include in income if you hadn't converted them into a Roth IRA. These amounts are normally included in income on your return for the year that you converted them from a traditional IRA to a Roth IRA.



If you must include any amount in your gross income, you may have to increase your withholding or make estimated tax payments. See Pub. 505.

More information. For more information on conversions, see *Converting From Any Traditional IRA Into a Roth IRA* in chapter 1.

Rollover From Employer's Plan Into a Roth IRA

You can roll over into a Roth IRA all or part of an eligible rollover distribution you receive from your (or your deceased spouse's):

- Employer's qualified pension, profit-sharing, or stock bonus plan (including a 401(k) plan);
- Annuity plan;
- Tax-sheltered annuity plan (section 403(b) plan); or
- Governmental deferred compensation plan (section 457 plan).

Any amount rolled over is subject to the same rules for converting a traditional IRA into a Roth IRA. See *Converting From Any Traditional IRA Into a Roth IRA* in chapter 1. Also, the rollover contribution must meet the rollover requirements that apply to the specific type of retirement plan.

Rollover methods. You can roll over amounts from a qualified retirement plan to a Roth IRA in one of the following ways.

- ***Rollover.*** You can receive a distribution from a qualified retirement plan and roll it over (contribute it) to a Roth IRA within 60 days after the distribution. Because the distribution is paid directly to you, the payer must generally withhold 20% of it. For rules about making a rollover of a plan loan offset, including a qualified plan loan offset, see *Time Limit for Making a Rollover Contribution* in chapter 1.
- ***Direct rollover option.*** Your employer's qualified plan must give you the option to have any part of an eligible rollover distribution paid directly to a Roth IRA. Generally, no tax is withheld from any part of the designated distribution that is directly paid to the trustee of the Roth IRA.

Rollover by nonspouse beneficiary. If you are a designated beneficiary (other than a surviving spouse) of a deceased employee, you can roll over all or part of an eligible

rollover distribution from one of the types of plans listed earlier into a Roth IRA. You must make the rollover by a direct trustee-to-trustee transfer into an inherited Roth IRA.

You will determine your RMDs in years after you make the rollover based on whether the employee died before their required beginning date for taking distributions from the plan. For more information, see *Distributions after the employee's death* under *Tax on Excess Accumulation* in Pub. 575.

Income. You must include in your gross income distributions from a qualified retirement plan that you would have had to include in income if you hadn't rolled them over into a Roth IRA. You don't include in gross income any part of a distribution from a qualified retirement plan that is a return of basis (after-tax contributions) to the plan that were taxable to you when paid.

These amounts are normally included in income on your return for the year of the rollover from the qualified employer plan to a Roth IRA.

If you must include any amount in your gross income, you may have to increase your withholding or make estimated tax payments. See Pub. 505.

For more information on eligible rollover distributions from qualified retirement plans and withholding, see *Rollover From Employer's Plan Into an IRA* in chapter 1.

Military Death Gratuities and Servicemembers' Group Life Insurance (SGLI) Payments

If you received a military death gratuity or SGLI payment with respect to a death from injury that occurred after October 6, 2001, you can contribute (roll over) all or part of the amount received to your Roth IRA.

The contribution is treated as a qualified rollover contribution.

The amount you can roll over to your Roth IRA can't exceed the total amount that you received reduced by any part of that amount that was contributed to a Coverdell ESA or another Roth IRA. Any military death gratuity or SGLI payment contributed to a Roth IRA is disregarded for purposes of the 1-year waiting period between rollovers.

The rollover must be completed before the end of the 1-year period beginning on the date you received the payment.

The amount contributed to your Roth IRA is treated as part of your cost basis (investment in the contract) in the Roth IRA that isn't taxable when distributed.

Rollover From a Roth IRA

You can withdraw, tax free, all or part of the assets from one Roth IRA if you contribute them within 60 days to another Roth IRA.

Most of the rules for rollovers, described in chapter 1 under *Rollover From One IRA Into Another*, apply to these rollovers. However, rollovers from retirement plans other than Roth IRAs are disregarded for purposes of the 1-year waiting period between rollovers.

A rollover from a Roth IRA to an employer retirement plan isn't allowed.

A rollover from a designated Roth account can only be made to another designated Roth account or to a Roth IRA.

If you roll over an amount from one Roth IRA to another Roth IRA, the 5-year period used to determine qualified distributions doesn't change. The 5-year period begins with the first tax year for which the contribution was made to the initial Roth IRA. See *What Are Qualified Distributions?* in chapter 2 of Pub. 590-B.

3.

Retirement Savings Contributions Credit (Saver's Credit)

What's New

Modified AGI limit for retirement savings contributions credit increased. For 2024, you may be able to claim the retirement savings contributions credit if your modified AGI isn't more than:

- \$76,500 if your filing status is married filing jointly;
- \$57,375 if your filing status is head of household; or
- \$38,250 if your filing status is single, married filing separately, or qualifying surviving spouse.

Introduction

You may be able to take a tax credit if you make eligible contributions (defined later) to a qualified retirement plan, an eligible deferred compensation plan, or an IRA. You may be able to take a credit of up to \$1,000 (up to \$2,000 if filing jointly). This credit could reduce the federal income tax you pay dollar for dollar.

Can you claim the credit? If you make eligible contributions to a qualified retirement plan, an eligible deferred compensation plan, or an IRA, you can claim the credit if all of the following apply.

1. You were born before January 2, 2007.
2. You aren't a full-time student (explained later).
3. No one else, such as your parent(s), claims you as a dependent on their tax return.

4. Your adjusted gross income (defined later) isn't more than:
- a. \$76,500 if your filing status is married filing jointly;
 - b. \$57,375 if your filing status is head of household; or
 - c. \$38,250 if your filing status is single, married filing separately, or qualifying surviving spouse.

Full-time student. You are a full-time student if, during some part of each of 5 calendar months (not necessarily consecutive) during the calendar year, you are either:

- A full-time student at a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance; or

- A student taking a full-time, on-farm training course given by either a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance, or a state, county, or local government.

You are a full-time student if you are enrolled for the number of hours or courses the school considers to be full time.

Adjusted gross income (AGI). This is generally the amount on line 11 of your 2024 Form 1040, 1040-SR, or 1040-NR. However, you must add to that amount any exclusion or deduction claimed for the year for:

- Foreign earned income,
- Foreign housing costs,
- Income for bona fide residents of American Samoa, and
- Income from Puerto Rico.

Eligible contributions. These include:

1. Contributions to a traditional or Roth IRA;
2. Salary reduction contributions (elective deferrals, including amounts designated as after-tax Roth contributions) to:
 - a. A 401(k) plan (including a SIMPLE 401(k)),
 - b. A section 403(b) annuity,
 - c. An eligible deferred compensation plan of a state or local government (a governmental 457 plan),
 - d. A SIMPLE IRA plan, or
 - e. A salary reduction SEP; and
3. Contributions to a section 501(c)(18) plan.

They also include voluntary after-tax employee contributions to a tax-qualified retirement plan or section 403(b) annuity. For purposes of the credit, an employee contribution will be voluntary as long as it isn't required as a condition of employment.

Reducing eligible contributions. Reduce your eligible contributions (but not below zero) by the total distributions you received during the testing period (defined later) from any IRA, plan, or annuity included above under *Eligible contributions*. Also reduce your eligible contributions by any distribution from a Roth IRA that isn't rolled over, even if the distribution isn't taxable.

Don't reduce your eligible contributions by any of the following.

1. The portion of any distribution which isn't includible in income because it is a trustee-to-trustee transfer or a rollover distribution.

2. Distributions that are taxable as the result of an in-plan rollover to your designated Roth account.
3. Any distribution that is a return of a contribution to an IRA (including a Roth IRA) made during the year for which you claim the credit if:
 - a. The distribution is made before the due date (including extensions) of your tax return for that year,
 - b. You don't take a deduction for the contribution, and
 - c. The distribution includes any income attributable to the contribution.
4. Loans from a qualified employer plan treated as a distribution.

5. Distributions of excess contributions or deferrals (and income attributable to excess contributions and deferrals).
6. Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k).
7. Distributions from an eligible retirement plan that are converted or rolled over to a Roth IRA.
8. Distributions from a military retirement plan.
9. Distributions from an inherited IRA by a nonspousal beneficiary.

Distributions received by spouse. Any distributions your spouse receives are treated as received by you if you file a joint return with your spouse both for the year of the distribution and for the year for which you claim the credit.