IRS Special Edition Tax Tip 2014-24: Top Four Year-End IRA Reminders

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Top Four Year-End IRA Reminders

Individual Retirement Accounts are an important way to save for retirement. If you have an IRA or may open one soon, there are some key year-end rules that you should know. Here are the top four reminders on IRAs from the IRS:

1. Know the limits. You can contribute up to a maximum of $5,500 ($6,500 if you are age 50 or older) to a traditional or Roth IRA. If you file a joint return, you and your spouse can each contribute to an IRA even if only one of you has taxable compensation. In some cases, you may need to reduce your deduction for traditional IRA contributions. This rule applies if you or your spouse has a retirement plan at work and your income is above a certain level. You have until April 15, 2015, to make an IRA contribution for 2014.

2. Avoid excess contributions. If you contribute more than the IRA limits for 2014, you are subject to a six percent tax on the excess amount. The tax applies each year that the excess amounts remain in your account. You can avoid the tax if you withdraw the excess amounts from your account by the due date of your 2014 tax return (including extensions).

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3. Take required distributions. If you're at least age 70½, you must take a required minimum distribution, or RMD, from your traditional IRA. You are not required to take a RMD from your Roth IRA. You normally must take your RMD by Dec. 31, 2014. That deadline is April 1, 2015, if you turned 70½ in 2014. If you have more than one traditional IRA, you figure the RMD separately for each IRA. However, you can withdraw the total amount from one or more of them. If you don't take your RMD on time you face a 50 percent excise tax on the RMD amount you failed to take out.

4. Claim the saver's credit. The formal name of the saver's credit is the retirement savings contributions credit. You may qualify for this credit if you contribute to an IRA or retirement plan. The saver's credit can increase your refund or reduce the tax you owe. The maximum credit is $1,000, or $2,000 for married couples. The credit you receive is often much less, due in part because of the deductions and other credits you may claim.

If you found this Tax Tip helpful, please share it through your social media platforms. A great way to get tax information is to use IRS Social Media. Subscribe to IRS Tax Tips or any of our e-news subscriptions.

Additional IRS Resources:

- Publication 590, Individual Retirement Arrangements (IRAs)
- Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts

IRS YouTube Videos:

- *Required Withdrawals from Your IRA:* English | Spanish | ASL

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