

# Roth IRAs at a Glance

## Tax Implications of Roth IRA Contributions and Distributions

Contributions	Earnings	Distributions
<ul style="list-style-type: none"> <li>Not deductible</li> <li>May qualify for tax credit</li> </ul>	<ul style="list-style-type: none"> <li>Tax -deferred</li> </ul>	<ul style="list-style-type: none"> <li>Tax free qualified distributions</li> <li>Nonqualified distributions may be tax free</li> </ul>

## Roth Regular and Spousal Contributions

	Roth IRA Rules
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Must have taxable compensation</li> <li>Modified adjusted gross income (MAGI) must be within prescribed limits (See chart on next page*)</li> </ul>
<b>Limits</b>	<p><b>Single filer</b> Lesser of</p> <ul style="list-style-type: none"> <li>\$5,500 (\$6,500 if age 50 or older in the year of contribution), or</li> <li>the individual's taxable compensation for the year.</li> </ul> <p><b>Married individual filing a joint return</b> Lesser of</p> <ul style="list-style-type: none"> <li>\$5,500 (\$6,500 if age 50 or older in the year of contribution), or</li> <li>the married couple's taxable compensation for the year minus any regular/spousal contributions (Traditional and/or Roth) for the year made for his/her spouse.</li> </ul>
<b>Funding Deadline</b>	<p><b>Tax return due date not including extensions</b></p> <p><b>Deadline for 2016 IRA contributions = April 18, 2017</b> By law, filing and payment deadlines (including the deadline for making IRA contributions) that fall on a Saturday, Sunday or a legal holiday are timely satisfied if met on the next business day. Legal holiday includes a legal holiday observed in the District of Columbia. For tax year 2016 IRA contributions, the later than usual contribution deadline is a result of April 15th falling on a Saturday, and then followed by Emancipation Day (a holiday observed in the District of Columbia), which falls on Sunday, April 16th, but is observed on Monday, April 17th. As a result, all U.S. taxpayers, nationwide have until Tuesday, April 18, 2017 to make Traditional and Roth IRA contributions for tax year 2016.</p> <p>Patriots' Day, which has played a role in the IRA contribution deadline in recent years for some taxpayers, will not further extend the deadline for 2016 IRA contributions, as Patriot's Day is also observed on Monday, April 17th, 2017.</p>



* Roth IRA Contribution MAGI Phase-Out Ranges – 2016 and 2017	
<b>Single Individuals</b>	\$118,000 - \$133,000 (2017) \$117,000 - \$132,000 (2016)
<b>Married, Filing a Joint Federal Income Tax Return</b>	\$186,000 - \$196,000 (2017) \$184,000 - \$194,000 (2016)
<b>Married, Filing a Separate Income Tax Return</b>	\$0 - \$10,000 (2017 and 2016)

## Qualified Roth IRA Distribution

Distributions from Roth IRAs are considered qualified distributions and are tax- and penalty-free to the Roth IRA owner/beneficiary if they meet BOTH of the following TWO requirements:

1. Satisfies a 5-year period, AND
2. The IRA owner attains age 59½, is disabled, has died, or meets a qualified first-time homebuyer distribution exception

## Nonqualified Roth IRA Distribution

Distributions that do not meet the requirements of a qualified distribution are subject to possible taxes and penalties as illustrated on the chart below. The ordering rules state that an individual's first distributions consist of contributory assets, if any. When all contributory assets have been distributed, future distributions consist of conversion assets, if any; and when all conversion assets are exhausted, future distributions are from the Roth IRA owner's earnings.

<b>Roth Basis</b> (includes regular contributions, certain amounts rolled over from a designated Roth account in an employer plan, and certain other rollover amounts)	<b>Take it and go!</b> No taxes or penalties apply
<b>Conversion Contributions &amp; Rollover Contributions of Traditional Employer Plan Assets</b>	<b>Caution!</b> No taxes apply, but a penalty MAY apply
<b>Earnings</b>	<b>Take it and pay!</b> Taxes WILL apply and early distribution penalty tax MAY apply

