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Inside This Issue

Top Year-End IRA Reminders from IRS

Individual Retirement Accounts, or IRAs, are important vehicles for you to save for retirement. If you have an IRA or plan to start one soon, there are a few key year-end rules that you should know. Here are the top year-end IRA reminders from the IRS:

- **Know the contribution and deduction 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. You have until April 18, 2016, to make an IRA contribution for 2015. In some cases, you may need to reduce your deduction for your 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.
- **Avoid excess contributions.** If you contribute more than the IRA limits for 2015, 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 2015 tax return (including extensions).
- **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, 2015. That deadline is April 1, 2016, if you turned 70½ in 2015. 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.
- **IRA distributions may affect your premium tax credit.** If you take a distribution from your IRA at the end of the year and expect to claim the PTC, you should exercise caution regarding the amount of the distribution. Taxable distributions increase your household income, which can make you ineligible for the PTC. You will become ineligible if the increase causes your household income for the year to be above 400 percent of the Federal poverty line for your family size. In this circumstance, you must repay the entire amount of any advance payments of the premium tax credit that were made to your health insurance provider on your behalf.