Summary of Key Roth IRA Features

A Roth IRA is an individual retirement arrangement (IRA) described in section 408A of the Internal Revenue Code. A *my*RA is a Roth IRA, so it is subject to the same rules that apply generally to Roth IRAs. Some of the key Roth IRA features are summarized below:

- **Basic tax attributes (including treatment of distributions).** Amounts can be withdrawn from a Roth IRA at any time, but special tax rules apply. Contributions to a Roth IRA are made after-tax and can be made at any time during the year (or by the due date of the owner's tax return for the year, not including extensions). Because contributions are after-tax, they will not be taxed again when they are distributed, and these non-taxable contributions will be treated as coming out of the Roth IRA before earnings which may be taxable depending on whether the distribution is qualified.

  - If a distribution is "qualified," any earnings in the Roth IRA are not taxable when they are distributed. A distribution is "qualified" if it is made at least 5 years after the owner's first contribution to the Roth IRA (counting from January 1 of the year of the first contribution), and the distribution is made:
    - after the owner is age 59½;
    - for a qualified first-time home purchase (up to $10,000 lifetime limit);
    - after the owner is disabled; or
    - to a beneficiary after the owner's death.
  - If a distribution is not "qualified", any earnings in the Roth IRA are taxable. In addition, if the owner is under age 59½, a 10% additional income tax on any earnings will apply unless an exception is available, including exceptions for payments:
    - due to disability or after death;
    - paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
    - for qualified higher education expenses;
    - for health insurance premiums after the owner has received unemployment compensation for 12 consecutive weeks;
    - for a qualified first-time home purchase (up to $10,000 lifetime limit);
    - made directly to the government to satisfy a federal tax levy;
    - up to the amount of deductible medical expenses; or
    - that constitute a qualified reservist distribution, for a member of a reserve component called to duty for more than 179 days.

- **Eligibility for saver's tax credit.** Individuals who contribute to a Roth IRA with modified adjusted gross income (AGI) below certain levels for the year are eligible to claim a saver's tax credit for their contributions. The AGI eligibility levels for 2015 are:

  - $61,000 for married couples filing jointly,
  - $45,700 for heads of household, and
  - $30,500 for singles and married individuals filing separately

  These modified AGI thresholds may be adjusted in later years to reflect cost-of-living increases.

  Eligible individuals can take the tax credit by filing Form 8880 with their tax return. The chart below shows the amount of the saver's credit for different kinds of filers for 2015:

Amount of Saver's Credit	Married Filing Jointly	Head of Household	Single/Others
50% of first $2,000 deferred	$0 to $36,500	$0 to $27,325	$0 to $18,250
20% of first $2,000 deferred	$36,501 to $39,500	$27,326 to $29,625	$18,251 to $19,750
10% of first $2,000 deferred	$39,501 to $61,000	$29,626 to $45,750	$19,751 to $30,500

- **Annual contribution limits.** There is an annual dollar limit on how much can be contributed to a Roth IRA (taking into account contributions to other Roth and traditional IRAs). For 2015, the limit is the lesser of $5,500 ($6,500 if age 50 or older by the end of the year), or an individual's taxable compensation (including a spouse's taxable compensation if a joint filer). Employer contributions under a SEP or SIMPLE IRA plan do not affect this limit. These annual dollar limits may be adjusted in later years to reflect cost-of-living increases.

- **Contribution limits based on income and filing status**. Eligibility to contribute to a Roth IRA for a year may be limited depending on the owner's (and spouse's, if applicable) modified AGI for the year, and the owner's tax-filing status. For 2015, the eligibility to contribute depending on filing status is as follows:
  - For single, head of household, or married filing separately (if did not live with spouse at any time during the year), eligibility begins to phase out (that is, the annual contribution limit begins to be reduced) at a modified AGI of $116,000, and completely phases out at $131,000.
  - For married filing jointly or qualifying widow(er), eligibility begins to phase out at a modified AGI of $183,000, and completely phases out at $193,000.
  - For married filing separately (if lived with spouse at any time during the year), eligibility begins to phase out at a modified AGI of $0, and completely phases out at $10,000.

  These modified AGI thresholds may be adjusted in later years to reflect cost-of-living increases.

- **Avoiding excise tax on excess contributions.** Generally, a 6% excise tax applies to any excess contribution to a Roth IRA. However, any contribution that is withdrawn on or before the due date (including extensions) for filing a tax return for the year is treated as an amount not contributed. This treatment only applies if any earnings on the contribution are also withdrawn. The earnings are considered earned and received in the year the excess contribution was made.

- **No requirement to take distributions during owner's lifetime.** A Roth IRA owner is not required to take distributions from a Roth IRA at any age. Thus, the minimum distribution rules during an owner's lifetime that apply to traditional IRAs when an owner reaches age 70½ do not apply to Roth IRAs.

- **Distributions after an owner's death.** If a Roth IRA owner dies, the minimum distribution rules that apply to traditional IRAs apply to Roth IRAs as though the Roth IRA owner died before his or her required beginning date. Distributions to beneficiaries follow the following rules:

  - Generally, the entire interest in the Roth IRA must be distributed by the end of the fifth calendar year after the year of the owner's death unless the interest is payable to a designated beneficiary over the life or life expectancy of the designated beneficiary.
  - If paid as an annuity, the entire interest must be payable over a period not greater than the designated beneficiary's life expectancy and distributions must begin before the end of the calendar year following the year of death. Distributions from another Roth IRA cannot be substituted for these distributions unless the other Roth IRA was inherited from the same decedent.
  - If the sole beneficiary is the spouse, he or she can either delay distributions until the decedent would have reached age 70½ or treat the Roth IRA as his or her own.
  - A beneficiary can combine an inherited Roth IRA with another Roth IRA maintained by the beneficiary only if the beneficiary either:
    - Inherited the other Roth IRA from the same decedent, or
    - Was the spouse of the decedent and the sole beneficiary of the Roth IRA and elects to treat it as his or her own IRA.

For more details on Roth IRAs, see Chapter 2 (Roth IRAs) of IRS Publication 590A, *Contributions to Individual Retirement Arrangements (IRAs)*, available on www.irs.gov/publications/p590a.pdf, and Chapter 2 (Roth IRAs) of IRS Publication 590B, *Distributions from Individual Retirement Arrangements (IRAs)*, available on www.irs.gov/publications/p590b.pdf. To find out how Roth IRAs differ from traditional IRAs, go to www.irs.gov/Retirement-Plans/Traditional-and-Roth-IRAs.