

W-2 Box 13 and IRA deduction

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Each year around this time we get questions from employers about the “Retirement Plan” Box 13 on the Form W-2. This box should be checked for any employee who is eligible for a retirement plan and had employee or employer contributions (or forfeitures) added to his account in the plan for the year. For discretionary profit sharing plans, the box should be checked for the year in which the employer deposits the money into the plan, even if the contribution applies to the previous year. For example, if the employer makes a contribution in February 2011 for the 2010 plan year Box 13 will be checked on the 2011 W-2, not the 2010 W-2, for that contribution. Vesting status does not affect whether this box is checked.

The IRS uses this box to determine if an individual is eligible to deduct contributions made to a traditional IRA.

The IRS uses this box to determine if an individual is eligible to deduct contributions made to an IRA. For 2010, the maximum contribution that can be made to a traditional or Roth IRA combined is \$5,000 (\$6,000 if over age 50). However, the maximum amount that may be deducted may be reduced depending on the individual’s modified adjusted gross income (MAGI) and his Box 13 status.

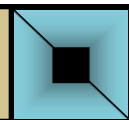
The following tables are from the IRS:

<http://www.irs.gov/retirement/participant/article/0,,id=188232,00.html>

If the taxpayer **is covered** by a retirement plan at work, use this table to determine if his *modified AGI* affects the amount of the deduction:

If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
single or head of household	\$56,000 or less	a full deduction up to the amount of your contribution limit .
	more than \$56,000 but less than \$66,000	a partial deduction.
	\$66,000 or more	no deduction.
married filing jointly or qualifying widow(er)	\$89,000 or less	a full deduction up to the amount of your contribution limit .
	more than \$89,000 but less than \$109,000	a partial deduction.
	\$109,000 or more	no deduction.
married filing separately	less than \$10,000	a partial deduction .
	\$10,000 or more	no deduction.

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.



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If the taxpayer **is not covered** by a retirement plan at work, use this table to determine if his modified AGI affects the amount of the deduction:

If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
single, head of household, or qualifying widow(er)	any amount	a full deduction up to the amount of your contribution limit .
married filing jointly or separately with a spouse who is not covered by a plan at work	any amount	a full deduction up to the amount of your contribution limit .
married filing jointly with a spouse who is covered by a plan at work	\$167,000 or less	a full deduction up to the amount of your contribution limit .
	more than \$167,000 but less than \$177,000	a partial deduction.
	\$177,000 or more	no deduction.
married filing separately with a spouse who is covered by a plan at work	less than \$10,000	a partial deduction.
	\$10,000 or more	no deduction.

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.

Contributions to a 401(k) plan don't limit the amount that can be contributed to an IRA. However, the amount of traditional IRA contributions that is deductible is limited by MAGI.

Contributions to a Roth IRA are not deductible so the Box 13 code does not affect a taxpayer's ability to make those contributions. However, for 2010 there are income restrictions on who can make Roth IRA contributions. This table shows how contributions to a Roth IRA are affected by the amount of modified AGI as computed for Roth IRA purposes.

If You Have Taxable Compensation and Your Filing Status Is...	And Your Modified AGI Is...	Then...
married filing jointly or qualifying widow(er)	Less than \$167,000	you can contribute up to the limit .
	at least \$167,000 but less than \$177,000	the amount you can contribute is reduced.
	\$177,000 or more	you cannot 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 the limit .
	more than zero (-0-) but less than \$10,000	the amount you can contribute is reduced.
	\$10,000 or more	you cannot contribute to a Roth IRA.
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	less than \$105,000	you can contribute up to the limit .
	at least \$105,000 but less than \$120,000	the amount you can contribute is reduced.
	\$120,000 or more	you cannot contribute to a Roth IRA.