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SUMMARY

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Traditional and Roth Individual Retirement Accounts (IRAs): A Primer

In response to concerns over the adequacy of retirement savings, Congress has created incentives to encourage individuals to save for retirement through a variety of retirement plans. Some retirement plans are employer-sponsored, such as 401(k) plans, and others are established by individual employees, such as Individual Retirement Accounts (IRAs).

This report describes the primary features of two common retirement savings accounts that are available to workers for independently saving a portion of their wages or to individuals rolling over savings from employer-sponsored plans—traditional IRAs and Roth IRAs. Individuals may roll over eligible distributions from other retirement accounts (such as an account balance from a 401(k) plan upon leaving an employer) into IRAs. Rollovers preserve retirement savings by allowing investment earnings on the funds in the retirement accounts to accrue on a tax-deferred basis, in the case of traditional IRAs, or a tax-free basis, in the case of Roth IRAs. Most inflows to Roth IRAs are from contributions and conversions; in contrast, most inflows to traditional IRAs are from rollovers.

Both traditional and Roth IRAs offer tax incentives to encourage individuals to save for retirement. Although the accounts have many features in common, they differ in some important aspects, such as deductibility, eligibility to contribute, and tax treatment. Contributions to traditional IRAs may be tax deductible for taxpayers who (1) are not covered by a retirement plan at their place of employment or (2) have income below specified limits. Contributions to Roth IRAs are not tax deductible and eligibility is limited to those with incomes under specified limits.

The tax treatment of distributions from traditional and Roth IRAs differs. Distributions from traditional IRAs are generally included in taxable income, whereas qualified distributions from Roth IRAs are not included in taxable income. Some distributions from both may be subject to an additional 10% tax penalty, unless the distribution is for a reason specified in the Internal Revenue Code (e.g., distributions from IRAs after the individual is age 59½ or older are not subject to the early withdrawal penalty).

This report explains IRAs' eligibility requirements, contribution limits, tax deductibility of contributions, and withdrawal rules. It also describes the Retirement Savings Contribution Credit (also known as the Saver's Credit), which is a nonrefundable tax credit available to individuals with income under specified limits who make IRA (or other retirement plan) contributions. Starting in 2027, a Saver's Match will replace the Saver's Credit, per a provision in the SECURE 2.0 Act of 2022 (Division T of P.L. 117-328). The report provides data on assets in, contributions to, and ownership of IRAs.

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Introduction

Individual Retirement Accounts (IRAs) are tax-advantaged accounts that individuals can establish to accumulate funds for retirement. Depending on the type of IRA, contributions may be made on a pretax or post-tax basis, and investment earnings are either tax-deferred or tax-free.[1] In addition, workers can roll over savings from employer-sponsored retirement savings plans into IRAs to preserve their savings' tax advantages.

IRAs were first authorized by the Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406). IRAs were originally limited to workers without pension coverage, but the Economic Recovery Act of 1981 (P.L. 97-34) made all workers and spouses eligible for IRAs. The Tax Reform Act of 1986 (P.L. 99-514) limited the eligibility for tax-deductible contributions to individuals whose employers do not sponsor plans and to those whose employers sponsor plans but who have earnings below specified thresholds. The Taxpayer Relief Act of 1997 (P.L. 105-34) allowed for penalty-free withdrawals for qualified higher education expenses and authorized the Roth IRA, which provides tax-free growth from after-tax contributions.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) significantly affected the contribution limits in these plans in three ways: it (1) increased the limits, (2) indexed the limits to inflation, and (3) allowed for individuals age 50 and older to make additional "catch-up" contributions. Among other provisions, the Pension Protection Act of 2006 (PPA; P.L. 109-280) made permanent the indexing of contribution limits to inflation, allowed taxpayers to direct the Internal Revenue Service (IRS) to deposit tax refunds directly into an IRA, and temporarily allowed for certain tax-free distributions for charitable contributions (which was later made permanent by P.L. 114-113).[2]

The Setting Every Community up for Retirement Enhancement Act of 2019 (SECURE Act), enacted as Division O of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94), included multiple provisions related to IRAs. The SECURE Act

- repealed the maximum age at which individuals can contribute to traditional IRAs;
- increased the age at which required minimum distributions (RMDs) from traditional IRAs must begin;
- treated certain nontuition fellowship and stipend payments as compensation for IRA contribution purposes;
- treated tax-exempt "difficulty of care" payments to home healthcare providers as compensation for nondeductible IRA contribution limit purposes;
- allowed penalty-free early withdrawals for qualifying birth and adoption purposes; and
- modified distribution rules for inherited IRAs.

The SECURE 2.0 Act of 2022 (SECURE 2.0, Division T of P.L. 117-328) also contained multiple provisions applicable to IRAs. Among other provisions, SECURE 2.0:

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[1] For more information on the tax treatment of retirement savings, including Individual Retirement Accounts (IRAs), see U.S. Congress, Joint Committee on Taxation, *Present Law and Background Relating to the Tax Treatment of Retirement Savings*, prepared by Joint Committee on Taxation, 112th Cong., 2nd sess., April 13, 2012, JCX-32-12.

[2] See also 26 U.S.C. §408 for traditional IRAs and 26 U.S.C. §408A for Roth IRAs.

- replaced the Retirement Savings Contribution Credit with a federal Saver's Match starting in 2027;
- further increased the age at which RMDs from traditional IRAs must begin;
- indexed the IRA catch-up contribution limit for cost-of-living adjustments;
- permitted penalty-free withdrawals up to $1,000 for emergency expenses;
- permitted rollovers up to $35,000 from a tax-advantaged qualified tuition program (i.e., a 529 account) to a Roth IRA;
- permitted certain penalty-free withdrawals in cases of domestic abuse or terminal illness; and
- created permanent rules for penalty-free withdrawals in response to qualified federally declared disasters.

This report describes the two types of IRAs that individual workers can establish: traditional IRAs and Roth IRAs.[3] It describes the rules regarding eligibility, contributions, and withdrawals. It also describes a tax credit—and starting in 2027, a federal matching contribution—for retirement savings contributions made by individuals with income under specified thresholds. The report provides data on assets in, contributions to, and ownership of IRAs.

Traditional and Roth IRAs

Traditional IRAs are funded by workers' contributions, which may be tax deductible (depending on the IRA owner's household income and workplace pension coverage). The contributions may accrue investment earnings in an account, and these earnings can be used as a source of income in retirement. Taxes are paid on both contributions and any interest earnings when funds are distributed. Because income tax rates in retirement are often lower than during working life, traditional IRA holders are likely to pay less in taxes when contributions are withdrawn than when the income was earned.

Roth IRAs were authorized by the Taxpayer Relief Act of 1997 (P.L. 105-34). One key difference between traditional and Roth IRAs is that contributions to Roth IRAs are made with after-tax funds and qualified distributions are not included in taxable income; investment earnings accrue free of taxes.[4]

For both traditional and Roth IRAs, funds are typically taxed only once—at either the time of contribution (in the case of Roth IRAs) or the time of withdrawal (in the case of traditional IRAs). This concept underlies many of the differences between traditional and Roth IRAs that follow throughout this report (for example, why traditional IRAs are subject to annual withdrawals in retirement while Roth IRAs are not).[5]

Contributions to IRAs can be made from taxable and certain nontaxable compensation. Examples of compensation include wages, salaries, tips, commissions, self-employment income, nontaxable combat pay, and alimony (which is treated as compensation for IRA purposes).[6] Compensation

[3] There are also two types of IRA-based retirement plans available to small employers: Simplified Employee Pensions (SEP-IRA) and Savings Incentive Match Plans for Employees (SIMPLE-IRA). These are not discussed in this report.

[4] Roth IRAs are named for former Senator William Roth.

[5] Individuals who inherit Roth IRAs may be subject to annual withdrawals.

[6] See Internal Revenue Service (IRS), *Tax Topic Number 451 - Individual Retirement Arrangements (IRAs)*, https://www.irs.gov/taxtopics/tc451. Alimony is included as compensation for IRA contribution purposes but only with respect to divorces that were executed on or before December 31, 2018.

also includes nontuition fellowship and stipend payments (i.e., payments to individuals that are used in the pursuit of graduate or postdoctoral study).[7]

Because IRAs were intended for workers without employer-sponsored pensions to save for retirement, contributions to an IRA may come only from compensation, as listed above. The following noncompensation sources of income *cannot* be used for IRA contributions:

- earnings from property, interest, or dividends,
- pension or annuity income,
- deferred compensation,
- income from partnerships for which an individual does not provide services that are a material income-producing factor, and
- foreign earned income.

IRAs can be set up through many financial institutions, such as banks, credit unions, mutual funds, life insurance companies, or stock brokerages. These financial institutions offer an array of investment choices. Individuals can transfer their accounts from one financial institution to another at will.

Several transactions could result in additional taxes or the loss of IRA status. These transactions include borrowing from IRAs; using IRAs as collateral for loans; selling property to IRAs; and investing IRA assets in collectibles such as artwork, antiques, metals, gems, stamps, alcoholic beverages, and most coins.[8]

Equivalence of Traditional and Roth IRAs

Under certain assumptions, traditional and Roth IRAs provide individuals with identical amounts to spend in retirement. These assumptions include (1) identical tax rates at the time of contribution and withdrawal and (2) equal investment growth in the traditional and Roth accounts.

Stylized examples may help illustrate this concept. An individual who has $100 in pre-tax income and faces a 25% tax rate could contribute $75 to a Roth IRA. Assume the investment doubles in value to $150. In retirement, the qualified withdrawal would not be included in taxable income. The individual would receive $75 plus $75 in investment earnings, or $150.

Alternatively, the same individual could contribute $100 to a deductible traditional IRA.[9] Assume the investment doubles in value to $200. In retirement, the distribution would be taxed at a 25% tax rate. The individual owes taxes of $50 (25% of the $100 contribution plus 25% of the investment earnings). The individual would receive $75 plus $75 in investment earnings, or $150.

Because an individual's income tax rate in retirement is likely to be different than his or her tax rate while working, in practice, traditional and Roth IRAs would probably not provide equal amounts in retirement.

[7] Section 106 of the SECURE Act (Division O of P.L. 116-94) added this provision.

[8] Gold, silver, and platinum coins issued by the U.S. Treasury and gold, silver, palladium, and platinum bullion are permissible.

[9] An individual making a $100 deductible contribution to an IRA would, assuming a 25% tax rate, receive a $25 tax deduction, effectively making the traditional IRA contribution equal to a $75 Roth IRA contribution. The traditional IRA contribution is a larger base on which investment earnings can accrue, so the account balance at withdrawal is larger than that of a Roth IRA. Upon withdrawal, the individual would pay taxes on the traditional IRA distribution but not on a Roth IRA distribution, so the after-tax distribution from each would be equivalent.

IRA Tax Benefits

Traditional IRA tax benefits are structured as tax deferrals rather than tax deductions. A tax deduction refers to a one-time reduction in taxable income. A deferral means that tax liability is postponed to some point in the future, so even if an individual deducts contributions, the individual must pay taxes on these contributions (and any earnings) at withdrawal. This implies that the tax benefit of IRAs is not the up-front deduction but rather the difference between the after-tax investment gains resulting from an IRA versus a taxable account. As described in the previous section, traditional IRA tax deferral is equivalent to Roth IRA treatment under certain assumptions. It follows that the tax benefit is also the same.

The benefit of contributing to an IRA rather than a taxable account (e.g., a mutual fund) for an individual eligible to contribute to a traditional or Roth IRA depends on several factors. These include the rate of return on investments, the type of investment income (e.g., capital gains versus dividends), and the time period over which investment earnings accrue.[10]

This tax benefit is often described as an effectively tax-free rate of return on investment earnings and applies to both traditional and Roth IRAs.[11]

Continuing with the equivalence example from above, instead of contributing to an IRA, the same individual could contribute to a taxable account. Because contributions to taxable accounts are not deductible, the individual could put $75 into the account. The $75 would accrue investment earnings, and—depending on the type—these earnings would be taxed annually (in the case of dividends) or when the investment is sold (capital gains).[12] If investment earnings in the taxable account accrue at the same rate as those in the traditional and Roth IRA example described earlier, and the individual faces a 25% tax rate on these earnings annually, the individual would receive less in after-tax withdrawals when contributing to a taxable account compared to an IRA.

In practice, traditional and Roth IRA owners may receive an additional benefit if tax rates are different at the time of contribution and withdrawal.[13]

Eligibility to Contribute and Contribution Limits

Eligibility to make contributions differs between traditional and Roth IRAs and is based on household income. Eligible individuals may contribute either their gross compensation or the contribution limit, whichever is lower. In 2026, the annual contribution limit is $7,500.[14] Since 2009, the contribution limit has been subject to cost-of-living adjustments.[15] In 2026, an individual age 50 or older may make an additional $1,100 catch-up contribution. The catch-up

[10] See Peter Brady, "The Tax Benefits and Revenue Costs of Tax Deferral," ICI, 2012, pp. 4-5, https://www.ici.org/pdf/ppr_12_tax_benefits.pdf.

[11] Brady, "The Tax Benefits and Revenue Costs of Tax Deferral." The author points out that a more exact way to express the effectively tax-free rate of return on investment earnings is to say that the tax benefit is "equivalent to facing a zero rate of tax on the investment income that would have been generated if compensation was first subject to tax and the net-of-tax amount was then contributed to an investment account."

[12] Investment earnings can include dividends, interest, capital gains, and others. Some earnings (e.g., dividends) are taxed annually, while others are taxed when realized.

[13] The benefit might also depend on an individual's eligibility (based on income and tax filing status) to deduct contributions to a traditional IRA.

[14] The limit applies to all of an individual's IRAs. For example, an individual could contribute $3,000 to a traditional IRA and $4,500 to a Roth IRA in a single year.

[15] 26 U.S.C. §415 requires the adjustments be made with procedures used to adjust Social Security benefit amounts. For more information on Social Security adjustments, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*.

contribution limit has been subject to cost-of-living adjustments since 2024.[16] For a household that files a joint return, spouses may contribute an amount equal to the couple's total compensation (reduced by the spouse's IRA contributions) or the contribution limit (in 2026: $7,500 each if younger than the age of 50 and $8,600 each if age 50 and older), whichever is lower. Contributions that exceed the contribution limit and are not withdrawn by the due date for that year's tax return are considered excess contributions and are subject to a 6% "excess contribution" tax. Contributions made between January 1 and April 15 may be designated for either the current year or the previous year.

Traditional IRAs. Any individuals who receive taxable (and certain nontaxable) compensation can set up and contribute to traditional IRAs.[17]

Roth IRAs. In contrast to traditional IRAs, Roth IRAs have income limits for eligibility. **Table 1** lists the modified AGIs at which individuals may make the maximum contribution and the ranges in which this contribution limit is reduced.[18] For example, a 40-year-old single taxpayer with income of $100,000 may contribute $7,500 in 2026. A similar taxpayer making $160,000 would be subject to a reduced contribution limit, whereas a taxpayer with income of $170,000 would be ineligible to contribute to a Roth IRA.

Table 1. Roth IRA Eligibility and Annual Contribution Limits for 2025 and 2026

Filing Status	2025 Modified Adjusted Gross Income (AGI)	2025 Contribution Limits	2026 Modified Adjusted Gross Income (AGI)	2026 Contribution Limits
Single, head of household, married filing separately (and did not live with spouse at any time during the year)	Less than $150,000	$7,000 ($8,000 if 50 years or older) or AGI, whichever is smaller	Less than $153,000	$7,500 ($8,600 if 50 years or older) or AGI, whichever is smaller
	At least $150,000 but less than $165,000	Reduced contribution limit	At least $153,000 but less than $168,000	Reduced contribution limit
	$165,000 or more	Ineligible to contribute	$168,000 or more	Ineligible to contribute
Married filing separately and lived	Less than $10,000	Reduced contribution limit	Less than $10,000	Reduced contribution limit

[16] Section 108 of SECURE 2.0 indexed the IRA catch-up contribution limit starting in 2024, but 2026 is the first year that the catch-up contribution limit for IRAs was adjusted. Prior to 2026, the catch-up contribution limit for IRAs was $1,000.

[17] The SECURE Act (Division O of P.L. 116-94) repealed the maximum age at which individuals may contribute to IRAs. Prior to the SECURE Act, individuals were not allowed to contribute to traditional IRAs after reaching age 70½. Minor individuals (e.g., those under age 18) may set up and contribute to IRAs so long as they have income from work. In these cases, the IRA is a custodial IRA and is managed by an adult until the minor reaches the legal age of majority (age 18 in most states).

[18] If warranted, the income limits are increased for cost-of-living adjustments. See IRS, *2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living*, Notice 2024-80, https://www.irs.gov/pub/irs-drop/n-24-80.pdf; and IRS, *2026 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living*, Notice 2025-67, https://www.irs.gov/pub/irs-drop/n-25-67.pdf. Modified AGI is AGI minus certain expenses an individual may deduct. A worksheet for computing modified AGI is provided in Worksheet 1-1, https://www.irs.gov/publications/p590a#en_US_2024_publink100025076.

Filing Status	2025 Modified Adjusted Gross Income (AGI)	2025 Contribution Limits	2026 Modified Adjusted Gross Income (AGI)	2026 Contribution Limits
with spouse at any time during the year	$10,000 or more	Ineligible to contribute	$10,000 or more	Ineligible to contribute
Married filing jointly, qualifying widow(er)	Less than $236,000	$7,000 ($8,000 each if 50 and older) or AGI, whichever is smaller	Less than $242,000	$7,500 ($8,600 each if 50 and older) or AGI, whichever is smaller
	At least $236,000 but less than $246,000	Reduced contribution limit	At least $242,000 but less than $252,000	Reduced contribution limit
	$246,000 or more	Ineligible to contribute	$252,000 or more	Ineligible to contribute

Sources: IRS Publication 590-A, http://www.irs.gov/publications/p590a/; IRS, "2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-24-80.pdf; and IRS, "2026 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-25-67.pdf.

Notes: Individuals age 50 and older can make additional catch-up contributions ($1,000 in 2025, $1,100 in 2026). The modified adjusted gross income (AGI) limit for eligibility has been adjusted for inflation since 2007. Beginning in 2009, the traditional and Roth IRA contribution limit has also been adjusted for inflation. Beginning in 2024, the IRA catch-up contribution limit could be adjusted for cost-of-living adjustments (though 2026 was the first year that the limit was adjusted). Modified AGI is AGI minus certain expenses an individual may deduct. A worksheet for computing modified AGI is provided in Worksheet 1-1 https://www.irs.gov/publications/p590a#en_US_2024_publink100025076. A worksheet for computing reduced Roth IRA contribution limits is provided in IRS Publication 590-A.

Deductibility of Traditional IRA Contributions

Traditional IRA contributions may be non-tax-deductible, partially tax-deductible, or fully tax-deductible, depending on whether the individual or spouse is covered by a pension plan at work and their level of adjusted gross income (AGI).[19] Roth IRA contributions are not deductible.

Individuals are covered by a retirement plan if (1) the individuals or their employers have made contributions to a defined contribution pension plan or (2) the individuals are eligible for a defined benefit pension plan (even if they refuse participation).

For individuals and households *not* covered by a retirement plan at work, **Table 2** outlines the income levels at which they may deduct all, some, or none of their traditional IRA contributions, depending on the spouse's pension coverage and the household's AGI. Individuals without employer-sponsored pensions and, if married, whose spouse also does not have pension coverage, may deduct up to the contribution limit from their income taxes regardless of their AGI.

For individuals and households who are covered by a retirement plan at work, **Table 3** outlines the income levels at which they may deduct all, some, or none of their IRA contributions, depending on the individual's or household's AGI.

[19] IRS, "Definition of Adjusted Gross Income," https://www.irs.gov/e-file-providers/definition-of-adjusted-gross-income.

Individuals may still contribute to IRAs up to the contribution limit even if the contribution is nondeductible.[20] *Nondeductible contributions* come from post-tax income, not pretax income. One advantage to placing post-tax income in traditional IRAs is that any *investment earnings* on nondeductible contributions are not taxed until distributed.

Contributions greater than the contribution limits are considered excess contributions. Worksheets for computing partial deductions are included in "IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs)."[21]

Table 2. Deductibility of Traditional IRA Contributions for Individuals Not Covered by a Retirement Plan at Work for 2025 and 2026

Filing Status	2025 Adjusted Gross Income	2026 Adjusted Gross Income	Deduction Allowed
Single, head of household, qualifying widow(er), or married filing jointly or separately with a spouse who is not covered by a plan at work	Any amount	Any amount	Full deduction
Married filing jointly with a spouse who is covered by a plan at work	$236,000 or less	$242,000 or less	Full deduction
	More than $236,000 but less than $246,000	More than $242,000 but less than $252,000	Partial deduction
	$246,000 or more	$252,000 or more	No deduction
Married filing separately with a spouse who is covered by a plan at work	Less than $10,000	Less than $10,000	Partial deduction
	$10,000 or more	$10,000 or more	No deduction

Sources: IRS Publication 590-A, http://www.irs.gov/publications/p590a/; IRS, "2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-24-80.pdf; and IRS, "2026 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-25-67.pdf.

[20] Tax-exempt "difficulty of care" payments to home health care workers (i.e., payments for the additional care needed for certain qualified foster individuals) are treated as compensation for nondeductible IRA contribution limit purposes. Section 116 of the SECURE Act (Division O of P.L. 116-94) added this provision. Individuals with "difficulty of care" payments may increase their nondeductible IRA contribution limit (in 2026, this limit is the individual's taxable income, up to $7,500 [$8,600 for individuals age 50 and older]) by some or all of the amount of these payments. See IRS, Publication 590-A, https://www.irs.gov/publications/p590a#en_US_2024_publink100031635. These payments do not affect deductibility.

[21] The publication is available on the IRS website at http://www.irs.gov/publications/p590a.

Table 3. Deductibility of Traditional IRA Contributions for Individuals Covered by a Retirement Plan at Work for 2025 and 2026

Filing Status	2025 Adjusted Gross Income	2026 Adjusted Gross Income	Deduction Allowed
Single or head of household	$79,000 or less	$81,000 or less	Full deduction
	More than $79,000 but less than $89,000	More than $81,000 but less than $91,000	Partial deduction
	$89,000 or more	$91,000 or more	No deduction
Married filing jointly or qualifying widow(er)	$126,000 or less	$129,000 or less	Full deduction
	More than $126,000 but less than $146,000	More than $129,000 but less than $149,000	Partial deduction
	$146,000 or more	$149,000 or more	No deduction
Married filing separately	Less than $10,000	Less than $10,000	Partial deduction
	$10,000 or more	$10,000 or more	No deduction

Sources: IRS Publication 590-A, http://www.irs.gov/publications/p590a/; IRS, "2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-24-80.pdf; and IRS, "2026 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-25-67.pdf.

Withdrawals

Withdrawals from IRAs can be made for any reason, unlike those from defined contribution plans, such as a 401(k) plan. Withdrawal rules depend on whether the withdrawal comes from a traditional or Roth IRA.

In addition to any taxes owed, some IRA distributions may be subject to a 10% penalty, such as early distributions from traditional IRAs and nonqualified distributions from Roth IRAs.

Traditional IRA Withdrawal Rules

Withdrawals of deductible contributions and any investment earnings from traditional IRAs are subject to income tax in the year that they are received. Withdrawals of any earnings attributable to nondeductible contributions are subject to income tax in the year that they are received. For example, if a traditional IRA contains only deductible contributions and earnings on those contributions, the entire amount withdrawn will be taxable. If a traditional IRA contains a mix of deductible and nondeductible contributions, or any earnings on these contributions, any withdrawal will be partially taxable based on a pro-rata rule.

Early distributions. Early distributions are withdrawals made before the age of 59½ and are subject to an additional 10% penalty unless an exception applies (e.g., death, disability, qualified birth or adoption expense; see "Exceptions to 10% Penalty" section later in this report).

Regular withdrawals. Withdrawals may be made penalty free after the IRA owner reaches age 59½.

Required distributions. To ensure that IRAs are used for retirement income and not for bequests, traditional IRA holders must begin making withdrawals by April 1 of the year after reaching a specified age that depends on their dates of birth (i.e., the required beginning date).[22] **Table 4** provides the corresponding RMD age for account owners based on their dates of birth.

Table 4. Required Minimum Distribution Ages

For Original Account Owners

Date of Birth	RMD Age
Before July 1, 1949	70½
July 1, 1949, through December 31, 1950	72
January 1, 1951, through December 31, 1958	73
January 1, 1959, through December 31, 1959	73, see notes
On or after January 1, 1960	75

Source: CRS.

Notes: The first RMD is due by April 1 of the calendar year following the year in which an individual reaches the applicable RMD age. The second RMD is due by December 31 following the April 1 date. Final IRS regulations (89 *Federal Register* 58886) reserved a paragraph for proposed IRS regulations (89 *Federal Register* 58644) to clarify that those born in 1959 must begin taking RMDs after reaching age 73.

The minimum amount that must be withdrawn (i.e., the required minimum distribution, or RMD) for each year is calculated by dividing the account balance on December 31 of the year preceding the distribution by the IRA owner's life expectancy as found in IRS Publication 590-B.[23] Although females live longer on average than males, the IRS does not separate life expectancy tables for males and females for this purpose.[24] RMDs must be received by December 31 of each year. Failure to take the RMD results in a 25% excise tax—or 10% if corrected in a timely manner—on the amount that was required to have been distributed.[25] Congress suspended the RMD for 2009 and 2020.[26]

Roth IRA Withdrawal Rules

The three types of Roth IRA distributions are (1) returns of regular contributions, (2) qualified distributions, and (3) nonqualified distributions. Returns of regular contributions and qualified distributions are *not* included as part of taxable income.

[22] Section 114 of the SECURE Act (Division O of P.L. 116-94) modified the age at which individuals must begin taking RMDs from 70½ to 72. Section 107 of SECURE 2.0 (Division T of P.L. 117-328) further increased this age to 73 for certain individuals and to age 75 for other individuals.

[23] *Life expectancy* is calculated differently depending on whether the account holder (1) is single and an IRA beneficiary, (2) has a spouse who is more than 10 years younger, (3) has a spouse who is not more than 10 years younger, (4) whose spouse is not the sole beneficiary, or (5) is unmarried.

[24] See, for example, the Social Security Actuarial Life Table, at https://www.ssa.gov/oact/STATS/table4c6.html. The Supreme Court ruled in *Arizona Governing Comm. vs. Norris*, 463 U.S. 1073 (1983), that employer-provided pension plans must use unisex tables in calculating monthly annuity benefits. Citing this ruling, the IRS constructs its own unisex life expectancy tables. See 26 U.S.C. §417(e)(3)(A)(ii).

[25] Section 302 of SECURE 2.0 reduced the penalty for failure to take an RMD from 50% to 25% of the amount that was supposed to have been withdrawn starting in 2023. It further reduced the penalty from 25% to 10% if corrected in a timely manner.

[26] For more information on the 2009 RMD suspension, see CRS Report R40192, *Early Withdrawals and Required Minimum Distributions in Retirement Accounts: Issues for Congress*. For more information on the 2020 RMD suspension, see CRS In Focus IF11482, *Retirement and Pension Provisions in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* and CRS Insight IN11441, *Internal Revenue Service (IRS) Guidance for Coronavirus-Related Distributions, Plan Loans, and Required Minimum Distribution (RMD) Rollovers*.

Return of Regular Contributions. Roth IRA distributions that are a return of regular contributions, which are withdrawals of original contributions, are neither included in taxable income nor subject to the 10% penalty.

Qualified Distributions. Qualified distributions, which include earnings on contributions, must satisfy both of the following:

- they are made after the five-year period beginning with the first taxable year for which a Roth IRA contribution was made, and
- they are made on or after the age of 59½; because of disability; to a beneficiary or estate after death; or to purchase, build, or rebuild a first home up to a $10,000 lifetime limit.[27]

Nonqualified Distributions. Distributions that are neither returns of regular contributions nor qualified distributions are considered nonqualified distributions. A 10% penalty applies to nonqualified distributions unless the account holder meets one of the exceptions in Title 26, Section 72(t), of the *U.S. Code* or a temporary exception due to a federally declared disaster (see "Exceptions to 10% Penalty" section below).

Although individuals might have several Roth IRAs from which withdrawals can be made, for tax purposes nonqualified distributions are assumed to be made in the following order:

1. the return of regular contributions,
2. conversion contributions on a first-in-first-out basis,[28] and
3. earnings on contributions.

The taxable portion of any nonqualified distribution (e.g., earnings on contributions) may be included in taxable income. A worksheet is available in IRS Publication 590-B to determine the taxable portion of nonqualified distributions.

Roth IRA owners do not have to take RMDs (though individuals who inherit Roth IRAs may be required to take them).

Beginning in 2007, distributions from traditional or Roth IRAs after the age of 70½ could be made directly to qualified charities and excluded from gross income. This provision for Qualified Charitable Distributions was made permanent in P.L. 114-113.[29]

Exceptions to 10% Penalty

To discourage the use of IRA funds for preretirement uses, early distributions from traditional IRAs and nonqualified distributions from Roth IRAs are subject to federal income tax and an additional 10% tax penalty unless an exception applies.[30] The early withdrawal penalty does not apply if the IRA owner is younger than age 59½ and the distributions:

- occur if the individual is a beneficiary of a deceased IRA owner;
- occur if the individual is disabled;

[27] The five-year period is not necessarily five calendar years. Contributions made from January 1 to April 15 could be considered made in the previous tax year.

[28] Conversion contributions are amounts attributable to rollovers from traditional IRAs or other employer-sponsored plans (discussed later in this report).

[29] See CRS In Focus IF11377, *Qualified Charitable Distributions from Individual Retirement Accounts*. The SECURE Act did not modify the age at which qualified charitable distributions can be made.

[30] See 26 U.S.C. §72(t).

- are in substantially equal payments over the account holder's life expectancy;
- are received after separation from employment after the age of 55;
- are for unreimbursed medical expenses in excess of 7.5% of AGI (10% if under age 65);
- are for medical insurance premiums in the case of unemployment;
- are used for higher education expenses;[31]
- are used to build, buy, or rebuild a first home up to a $10,000 withdrawal limit;
- are used for expenses related to the qualified birth or adoption of a child (up to a $5,000 withdrawal limit taken within one year following the event);
- occur if the individual is a reservist called to active duty after September 11, 2001;
- are made to qualified individuals who sustain economic loss by reason of federally declared disasters where they live (up to a $22,000 limit);
- are made to a victim of domestic abuse by a spouse or domestic partner, up to the lesser of $10,000 or 50% of his or her account balance;
- are made for personal or family emergency expenses, up to $1,000 each year[32]; or
- are made to individuals who are terminally ill.[33]

In response to various federally declared disasters and the Coronavirus Disease 2019 (COVID-19) pandemic, Congress temporarily exempted distributions to those affected from the 10% early withdrawal penalty. For example, in response to COVID-19, Congress permitted qualified individuals to take penalty-free distributions of up to $100,000 from retirement accounts from January 1, 2020, and before December 31, 2020 (P.L. 116-136). A provision in SECURE 2.0 made permanent rules for penalty-free withdrawals in the case of any federally declared disaster occurring on or after January 26, 2021.

Although early withdrawals from IRAs are permitted without reason, individuals will be subject to the 10% tax penalty unless they meet one of the conditions above. There are no other general "hardship" exceptions for penalty-free distributions from IRAs.

Rollovers

Rollovers are transfers of assets from one retirement plan to another upon separation of the worker from the original employer. Rollovers are not subject to the 59½ rule, the 10% penalty, or the contribution limit.

- Rollovers to traditional IRAs can come from other traditional IRAs, employers' qualified retirement plans (e.g., 401(k) plans), deferred compensation plans of state or local governments (Section 457 plans), tax-sheltered annuities (Section 403(b) plans), or the Thrift Savings Plan (TSP) for federal employees.

[31] Higher education expenses are those defined in Title 26, Section 529(e)(3), of the *U.S. Code* for the education of the taxpayer, the taxpayer's spouse, child, or grandchild.

[32] One distribution is permissible per year and is able to be repaid within three years. Additional emergency distributions are not permitted during the three-year repayment period unless repayment occurs.

[33] IRS Publication 2024-02 clarifies that the exception for penalty-free distributions for terminally ill individuals applies to IRAs as well as qualified retirement plans. See IRS, "Miscellaneous Changes Under the SECURE 2.0 Act of 2022," Q&A F-2, https://www.irs.gov/pub/irs-drop/n-24-02.pdf.

- Rollovers to Roth IRAs can come from other Roth IRAs, traditional IRAs, employers' qualified retirement plans (e.g., 401(k) plans)—including from designated Roth accounts within qualified plans, deferred compensation plans of state or local governments (Section 457 plans), tax-sheltered annuities (Section 403(b) plans), or the TSP for federal employees. Rollovers from a pre-tax account (such as a traditional IRA) to a Roth IRA are referred to *conversions* (described in more detail below). A provision in SECURE 2.0 permitted rollovers of up to $35,000 (over a lifetime) from tax-advantaged qualified tuition programs, also known as 529 accounts, in beneficiaries' names to their Roth IRAs starting in 2024.[34]
- Rollovers from Roth IRAs to traditional IRAs or to employer-sponsored retirement plans are not allowed.[35] Similarly, rollovers from designated Roth accounts in qualified plans to traditional IRAs are not allowed.

Rollovers can be either direct trustee-to-trustee transfers or issued directly to individuals who then deposit the rollovers into traditional IRAs.[36] In the latter case, individuals have 60 days from the date of the distribution to make rollover contributions. Rollovers not completed within 60 days are considered taxable distributions and may be subject to the 10% early withdrawal penalty. In addition, in cases where individuals directly receive a rollover, 20% of the rollover is withheld for tax purposes and individuals must have an amount equal to the 20% withheld available from other sources to place in the new IRA. If the entire distribution is rolled over within 60 days, the amount withheld is applied to individuals' income taxes paid for the year. Direct trustee-to-trustee transfers are not subject to withholding taxes.

Certain Rollovers Limited to One per Year

A January 2014 U.S. Tax Court decision required that, in certain circumstances, individuals are limited to a total of one rollover per year for their IRAs.[37] Rollovers subject to this rule are those between two IRAs in which an individual receives funds from an IRA and deposits the funds into a different IRA within 60 days. The one-rollover-per-year limit applies to rollovers between two traditional IRAs or two Roth IRAs. It does not apply to transfers from a traditional IRA to a Roth IRA (i.e., a *conversion*). The limitation does not apply to trustee-to-trustee transfers (directly from one financial institution to another) or rollovers from qualified pension plans (such as from 401(k) plans).

[34] These rollovers are subject to Roth IRA annual contribution limits. The 529 accounts are required to have been open for more than 15 years to be eligible for this rollover option. Named for the section of the Internal Revenue Code that dictates their tax treatment, 529 plans are tax-advantaged investment trusts used to pay for education expenses. For more information on 529 accounts, see CRS Report R42807, *Tax-Preferred College Savings Plans: An Introduction to 529 Plans*.

[35] See IRS Rollover Chart, https://www.irs.gov/pub/irs-tege/rollover_chart.pdf.

[36] A *trustee-to-trustee transfer* is a transfer of funds made directly between two financial institutions. The individual does not take possession of the funds at any point.

[37] See *Bobrow v. Commissioner*, T.C. Memo. 2014-21 (United States Tax Court 2014), https://www.ustaxcourt.gov/UstcInOp/OpinionViewer.aspx?ID=377. The court case addressed a situation in which an individual and his spouse used the 60-day rollover period to continuously move amounts from one IRA to another, thereby gaining access to funds for an extended period of time. Prior to this decision, the IRS applied the one-rollover-per-year on an IRA-by-IRA basis.

Conversions to Roth IRAs

Individuals may convert amounts from traditional IRAs, SEP-IRAs, or SIMPLE-IRAs to Roth IRAs.[38] Since 2008, individuals have been able to roll over distributions directly from qualified retirement plans to Roth IRAs. Individuals may want to roll over funds from qualified plans to Roth IRAs for various reasons, such as greater withdrawal flexibility or more investment options. In addition, in certain cases, it may be advantageous from a tax perspective (for example, an individual might convert amounts during a year in which he or she faces low tax rates).

The amount of the conversion must be included in taxable income. Conversions can be a trustee-to-trustee transfer, a same-trustee transfer by redesignating the IRA as a Roth IRA, or a rollover directly to the account holder. Inherited IRAs cannot be converted.

Contributions (not rollovers or conversions) made to a traditional or Roth IRA can be recharacterized as having been made to the other type of IRA. However, conversions and rollovers to a Roth IRA made during or after 2018 cannot be recharacterized to a traditional IRA.[39]

Rollover rules that apply to traditional IRAs, including completing a rollover within 60 days, also apply to Roth IRAs. In addition, withdrawals from a converted IRA prior to five years from the beginning of the year of conversion are nonqualified distributions and are subject to a 10% penalty (see "**Nonqualified Distributions**" earlier in this report).

Individuals who are ineligible to contribute to Roth IRAs due to income limits may be able to fund Roth IRAs through what is informally referred to as a *backdoor Roth IRA*. In this case, individuals may make contributions to traditional IRAs (typically nondeductible contributions, due to income thresholds for deductibility) and then convert their traditional IRA funds to Roth IRA funds.[40]

Inherited IRAs

When the owner of an IRA dies, ownership passes to the account's designated beneficiary or, if no beneficiary has been named, to the decedent's estate. Section 401 of the SECURE Act (Division O of P.L. 116-94) modified distribution rules for designated beneficiaries of account owners who die after December 31, 2019. The following distribution rules apply to these accounts. Federal law has different distribution requirements depending on whether the new owner is a

- designated spouse beneficiary,
- designated nonspouse beneficiary,

[38] Simplified Employee Pensions (SEP-IRAs) and Savings Incentive Match Plans for Employees (SIMPLE-IRAs) are employer-sponsored IRAs available to small employers. SIMPLE-IRAs may be rolled over after two years. Prior to January 1, 2010, only individuals with income under specified thresholds were eligible to make conversions from traditional to Roth IRAs. The Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222) eliminated the income thresholds.

[39] A provision in P.L. 115-97 (a budget reconciliation bill called by some the Tax Cuts and Jobs Act) repealed a special rule that allowed conversions and rollovers to be recharacterized. Prior to the repeal of the special rule, an individual could have rolled amounts from a traditional IRA to a Roth IRA and then, prior to the due date of the individual's tax return, could have transferred the assets back to a traditional IRA. In certain circumstances, this could have a beneficial effect on an individual's taxable income.

[40] For more information on backdoor Roth IRAs, see CRS In Focus IF11963, *Rollovers and Conversions to Roth IRAs and Designated Roth Accounts: Proposed Changes in Budget Reconciliation*.

- eligible designated beneficiary, or
- nondesignated or estate beneficiary.

Some distribution rules depend on whether the IRA owner died prior to the required beginning date, which is the date on which distributions from the account must begin. This is April 1 of the year following the year in which the IRA owner reaches his or her required beginning date (i.e., RMD age).

The Roth IRA's original owner does not have to take an RMD (and therefore, has no required beginning date). Following the initial account owner's death, the Roth IRA beneficiary must take an RMD using the same rules that apply to traditional IRAs as if the account owner had died before the required beginning date.

Designated Spouse Beneficiaries

A designated spouse beneficiary is allowed to (1) become the new account owner; (2) roll over the account to the spouse's own traditional or Roth IRA or qualified employer plan, such as a 401(k), 403(a), 403(b), or 457(b) plan; or (3) be treated as a beneficiary rather than account owner (in this case, see the rules for eligible designated beneficiaries below).

A spouse who takes ownership of an inherited traditional IRA must determine the RMD using his or her own life expectancy. A spouse who takes ownership of an inherited Roth IRA (rather than becoming a beneficiary) does not have to take an RMD. A spouse who is the sole beneficiary and chooses to be treated as beneficiary (rather than as owner) may postpone distributions until the original owner would have reached his or her RMD age. This rule applies to both traditional and Roth IRAs.

Designated Nonspouse Beneficiaries

A nonspouse beneficiary cannot take ownership of an inherited account. Instead, the account becomes an inherited IRA designated for the nonspouse beneficiary in the name of the deceased account owner.

Under the SECURE Act, a designated nonspouse beneficiary of an account owner who dies after December 31, 2019, must distribute the entire account balance by the end of the 10th calendar year following the account owner's year of death (the "10-year rule"), regardless of whether the original account owner dies before or after the required beginning date. Beneficiaries may choose the frequency and timing of distributions so long as the account is depleted within the 10-year period.

Eligible Designated Beneficiaries

The SECURE Act allows for exceptions to the 10-year rule for an eligible designated beneficiary, which include (1) a surviving spouse, (2) the account owner's child who has not reached the age of majority, (3) an individual who is disabled, (4) a chronically ill individual, and (5) an individual who is not more than 10 years younger than the account owner. These eligible designated beneficiaries may generally take distributions over their remaining life expectancy rather than adhere to the 10-year rule. A minor child of an account owner who is a beneficiary may calculate distributions based on his or her remaining life expectancy until reaching the age of majority (age 18 in most states), at which point the remaining account balance must be distributed within 10 years.

Nondesignated or Estate Beneficiaries

If the account owner dies before the required beginning date and (1) does not designate a beneficiary or (2) designates a trust as beneficiary, the account balance must be distributed within five years ("the five-year rule"). Nondesignated and estate beneficiaries of a Roth IRA must take distributions as if the account owner died before the required beginning date (i.e., within five years). If the account owner dies after the required beginning date, the account balance must be distributed at the same rate or faster than the original account owner was taking distributions (i.e., the distribution period is based on the deceased account owner's life expectancy as of the year of death; life expectancy is reduced by one year for each subsequent RMD). The SECURE Act did not change distribution rules for nondesignated beneficiaries.

The distribution rules are summarized in **Table 5**. Distributions from inherited traditional IRAs are included in taxable income but are not subject to the 10% early withdrawal penalty. An individual who fails to take an RMD will generally incur a 25% excise tax of the amount that was required to have been withdrawn (10% if corrected in a timely manner).

In some cases, IRAs have beneficiaries' distribution requirements that are more stringent than those summarized in **Table 5**. For example, an IRA's plan documents could require that a designated spouse or designated nonspouse beneficiary distribute all assets in the IRA by the end of the fifth year of the year following the IRA owner's death. In such a case, the beneficiary would not have the option to take distributions over a longer period of time. Unless the IRA's plan documents specify otherwise, it is possible to take distributions faster than required in **Table 5**. For example, a beneficiary may elect to distribute all assets in a single year (i.e., a lump sum distribution). In such a case, the entire amount distributed is included in taxable income for that year.

Table 5. Inherited IRA Distribution Rules

	Owner Dies Before Required Beginning Date[a]	Owner Dies on or After Required Beginning Date
Designated Spouse Beneficiary	Treat as own, does not have to take any distribution until reaching RMD age, but is subject to the 59½ rule, or Keep in decedent's name and take distributions based on own life expectancy. Distributions do not have to begin until decedent would have reached RMD age.	Treat as own, does not have to take any distribution until reaching RMD age, but is subject to the 59½ rule, or Keep in decedent's name and take distributions based on own life expectancy.
Designated Nonspouse Beneficiary	Take one or more distributions so that the account is depleted by the end of the 10th calendar year following the account owner's year of death.	
Eligible Designated Beneficiaries[b]	Take distributions over the beneficiary's remaining life expectancy.	
Nondesignated or Estate Beneficiaries	Must distribute all IRA assets by the end of the fifth year of the year following the IRA owner's death.	Must distribute IRA assets at least as quickly as the owner had been taking them (i.e., take a yearly distribution based on the owner's age as of birthday in the year of death, reduced by one for each year after the year of death).

Sources: 26 U.S.C. §401(a)(9) and P.L. 116-94.

Notes: These rules apply to account owners who die after December 31, 2019. Different rules apply to account owners who died prior to 2020. The required beginning date is the date on which distributions from the account must begin. It is April 1 of the year following the year in which the owner of an IRA reaches a specified age depending on date of birth, ranging from 70½ to 75.

a. Following the initial account owner's death, a Roth IRA beneficiary must take an RMD using the rules that apply as if the account owner had died before the required beginning date. (Original owners of Roth IRAs do not have to take required minimum distributions and so do not have a required beginning date.)

b. An eligible designated beneficiary includes a surviving spouse of the account owner (options for a spouse are described separately in the table); the account owner's child who has not reached the age of majority (minor child distributions are calculated based on the child's remaining life expectancy through the year that the child reaches the age of majority, after which the 10-year rule applies); an individual who is disabled, a chronically ill individual, and an individual who is not more than 10 years younger than the account owner.

Distributions from inherited Roth IRAs are generally free of income tax. The beneficiary may be subject to taxes if the Roth IRA owner dies before the end of (1) the five-year period beginning with the first taxable year for which a contribution was made to a Roth IRA or (2) the five-year period starting with the year of a conversion from a traditional IRA to a Roth IRA. The distributions are treated as described in the "**Nonqualified Distributions**" section of this report.

Retirement Savings Contribution Credit and Saver's Match

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) authorized a nonrefundable tax credit of up to $1,000, or $2,000 if filing a joint return, for eligible individuals who contribute to IRAs or employer-sponsored retirement plans. The Retirement Savings Contribution Credit, also referred to as the Saver's Credit, is in addition to the tax deduction for contributions to traditional IRAs or other employer-sponsored pension plans. To receive the credit, a taxpayer must be at least 18 years old, not be a full-time student, not be a dependent on someone else's tax return, and have AGI less than certain limits. The limits are in **Table 6**. For example, individuals who make $2,000 IRA contributions in 2026, have income of $22,000, and list their filing status as single would be able to reduce their 2026 tax liability by a credit up to $1,000, or 50% of their IRA contribution amount.[41]

Table 6. Retirement Saving Contribution Credit Income Limits for 2025 and 2026

Filing Status	2025 Income Limits	2026 Income Limits	Percentage Credit
Single, Married Filing Separately, Qualifying Widow(er)	$1 to $23,750	$1 to $24,250	50%
	$23,751 to $25,500	$24,251 to $26,250	20%
	$25,501 to $39,500	$26,251 to $40,250	10%
	more than $39,500	more than $40,250	0%
Head of Household	$1 to $35,625	$1 to $36,375	50%
	$35,626 to $38,250	$36,376 to $39,375	20%
	$38,251 to $59,250	$39,376 to $60,375	10%
	more than $59,250	more than $60,375	0%

[41] For more information on the Saver's Credit, see CRS In Focus IF11159, *The Retirement Savings Contribution Credit and the Saver's Match*.

Filing Status	2025 Income Limits	2026 Income Limits	Percentage Credit
Married Filing Jointly	$1 to $47,500	$1 to $48,000	50%
	$47,501 to $51,000	$48,001 to $52,500	20%
	$51,001 to $79,000	$52,501 to $80,500	10%
	more than $79,000	more than $80,500	0%

Sources: IRS Publication 590-A, http://www.irs.gov/publications/p590a/; IRS, "2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-24-80.pdf; and IRS, "2026 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living," https://www.irs.gov/pub/irs-drop/n-25-67.pdf.

In 2022, the average credit claim was $194.[42] The credit was claimed by

- 5.8% of all tax returns,
- 6.8% of those with an AGI of $10,000 to under $25,000 (with an average claim of $186), and
- 15.8% of those with an AGI of $25,000 to under $50,000 (with an average claim of $201).[43]

Under current law, since individuals under certain income thresholds may not have any tax liability or owe taxes that are less than the full amount of the credit, the benefit of a nonrefundable credit may be limited.

Section 103 of SECURE 2.0 replaced the Saver's Credit with a Saver's Match starting in 2027. Instead of receiving a nonrefundable tax credit, eligible individuals who contribute to their retirement accounts will receive a federal match credited to their retirement accounts. Savers with modified AGIs below $20,500 ($41,000 for married filing jointly) will qualify for a 50% federal match on up to $2,000 in retirement savings—that is, a maximum match of $1,000. This income threshold will be adjusted for the cost of living for years after 2027. Those who earn up to $15,000 more than this threshold ($30,000 more for married couples filing jointly) will qualify for a reduced match. Unlike for the Saver's Credit, these thresholds will be calculated using a modified AGI that does not exclude the value of contributions to qualified retirement accounts.[44]

Data on IRA Assets, Sources of Funds, Ownership, and Contributions

The following tables provide data on IRA assets, sources of funds, ownership, and contributions.

Assets in IRAs

Table 7 contains data on the end-of-year assets in traditional and Roth IRAs from 2014 to 2024. According to the Investment Company Institute, traditional IRAs held much more in assets than Roth IRAs. At the end of 2024

[42] CRS analysis of IRS, Statistics of Income, Table 3.3: All Returns: Tax Liability, Tax Credits, and Tax Payments, 2022, https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income.

[43] Ibid.

[44] For more information about the Saver's Match, see CRS In Focus IF11159, *The Retirement Savings Contribution Credit and the Saver's Match*.

- total traditional IRA balances were $14.1 trillion, and
- total Roth IRA balances were $2.0 trillion.

Most inflows to traditional IRAs come from employer-sponsored pension rollovers rather than from regular contributions.[45] For example, in 2022 (the latest year for which such data are available), within traditional IRAs, inflows from rollovers were $669.8 billion, whereas inflows from contributions were $22.5 billion.[46] In contrast, within Roth IRAs, more funds flowed from contributions ($35.0 billion) than from rollovers ($22.1 billion). Conversions ($36.5 billion) represented the largest source of inflows to Roth IRAs in 2022.[47]

Table 7. Traditional and Roth IRAs: End of Year Assets

In Billions of Dollars

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Traditional IRAs	6,225	6,387	6,824	8,018	7,745	9,297	10,722	12,145	10,781	12,495	14,115
Roth IRAs	600	625	697	842	846	1,014	1,233	1,567	1,401	1,700	2,000

Source: CRS using data from the Investment Company Institute (ICI), The U.S. Retirement Market, Second Quarter 2025, Table 10, https://www.ici.org/research/stats/retirement/. ICI estimated 2023 and 2024 data.

IRA Ownership Among U.S. Households

Table 8 and **Table 9** provide data on IRA ownership among U.S. households. The data are from CRS analysis of the 2022 Survey of Consumer Finances (SCF).[48] The SCF is a triennial survey conducted on behalf of the Board of Governors of the Federal Reserve and contains detailed information on U.S. household finances, such as the amount and types of assets owned, the amount and types of debt owed, and detailed demographic information on the head of the household and spouse.[49] The SCF is designed to be nationally representative of the 131.3 million U.S. households in 2022.[50]

Table 8 illustrates the following regarding IRA ownership in 2022:

- Thirty-one percent of households owned IRAs.[51] Among IRA-owning households, the median balance was $87,000, and the average balance was $309,130.

[45] Generally, rollovers are tax-free distributions of assets from one retirement plan that are contributed to a second retirement plan. Regular contributions are contributions to IRAs that are made from individuals' pre- or post-tax income (subject to the rules of the particular type of IRA).

[46] See Investment Company Institute, "The U.S. Retirement Market," Table 11, https://www.ici.org/research/stats/retirement/.

[47] Investment Company Institute, "The U.S. Retirement Market," Table 12.

[48] More information on the Survey of Consumer Finances (SCF) is available at http://www.federalreserve.gov/econresdata/scf/scfindex.htm.

[49] The SCF data and codebook are available at https://www.federalreserve.gov/econres/scfindex.htm. In the SCF, the head of the household is the individual in a single household, the male in a mixed-sex couple, or the older individual in the case of a same-sex couple. The SCF codebook indicates that "no judgment about the internal organization of the households is implied by this organization of the data" and that the "term is euphemistic and merely reflects the systematic way in which the data set has been organized."

[50] Estimates in this report are adjusted using population weights provided in the SCF dataset.

[51] IRA ownership in **Table 8** includes Keogh plans.

- Older households were more likely to own IRAs compared to younger households. Among households with reference persons younger than 35, about 21.8% owned IRAs compared to 40.2% of those age 65 and older. Older households are more likely to have changed jobs one or more times compared to younger households, giving them more opportunities to make rollovers into IRAs.
- About 63% of households with household income of $150,000 or greater owned IRAs, compared to 8.8% of households with income of less than $30,000.

Table 8. Individual Retirement Account Ownership and Balances Among U.S. Households in 2022

	Percentage of Households with IRAs	Median Account Balance (for Households with IRAs)	Average Account Balance (for Households with IRAs)
All Households	31.0%	$87,000	$309,130
Age of the Household Reference Person[a]:			
Younger than 35	21.8%	$12,000	$37,752
35-44	28.0%	$30,000	$105,656
45-54	27.9%	$105,000	$238,666
55-64	32.4%	$167,000	$420,095
65 and older	40.2%	$150,000	$468,891
2021 Household Income (in 2022 Dollars):			
Less than $30,000	8.8%	$28,000	$110,345
$30,000-$54,999	15.8%	$57,000	$100,984
$55,000-$89,999	26.6%	$51,000	$139,340
$90,000-$149,999	39.8%	$64,000	$175,750
$150,000 or more	63.1%	$199,000	$539,663
Household Marital Status:			
Married	38.7%	$100,000	$346,847
Single	20.6%	$57,000	$213,567
Single female	19.4%	$67,000	$200,955
Single male	22.5%	$50,000	$231,319
Race or Ethnicity of the Household Respondent[b]:			
White, non-Hispanic	38.6%	$100,000	$334,838
Black/African American, non-Hispanic	11.4%	$22,000	$104,192
Hispanic or Latino	11.5%	$35,000	$85,748
Asian	37.4%	$80,000	$370,153
Other or multiple race	16.2%	$27,000	$129,836

	Percentage of Households with IRAs	Median Account Balance (for Households with IRAs)	Average Account Balance (for Households with IRAs)
Education Level of the Household Reference Person:			
High school graduate or less	13.8%	$68,000	$161,877
Some college or associate's degree	23.6%	$60,000	$162,748
Bachelor's degree	44.2%	$89,000	$305,290
Advanced degree (master's, professional, doctorate)	58.9%	$150,000	$483,168

Source: CRS analysis of the 2022 Survey of Consumer Finances (SCF).

Notes: Median and average account balances are calculated using the aggregated value of all accounts within an account category: A household was counted as owning IRA assets if the reference person, spouse/partner, or other member in the household indicated owning an IRA with a positive balance. *Median account balance* and *average account balance* are calculated for the balances of households with positive account balances. Amounts are in 2022 dollars. IRA ownership in this table includes Keogh plans. In the 2022 SCF, 0.3% of households indicated that they had savings in Keogh accounts.

a. In the SCF, the "reference person" is the single individual in a single-person household, the male in a mixed-sex couple, or the older individual in a same-sex couple.

b. *Race or ethnicity* refers to that of the household respondent. In 80% of sampled households, the designated respondent was the reference person.

Table 9 categorizes IRAs by the amount in the account. Among households that have IRAs, 53.3% have account balances of less than $100,000 and 8.1% have account balances of $1 million or more.[52]

Table 9. Distribution of Individual Retirement Account (IRA) Balances in 2022

	Percentage of All U.S. Households	Percentage of U.S. Households with IRAs
With an IRA	31.0%	-
Account balance		
$1 to $24,999	8.6%	27.8%
$25,000 to $49,999	3.3%	10.5%
$50,000 to $99,999	4.7%	15.0%
$100,000 to $249,999	5.9%	19.1%
$250,000 to $999,999	6.1%	19.5%
$1,000,000 to $2,499,999	2.0%	6.4%
$2,500,000 or more	0.5%	1.7%

Source: CRS analysis of 2022 Survey of Consumer Finances.

[52] The first figure is calculated by adding the percentages of U.S. households with IRAs with balances between $1 and $99,999 (28.5% + 12.8% + 15.1% = 56.4%). The second figure is calculated by adding the percentages with balances of $1,000,000 or higher (4.9% + 1.1% = 6.0%).

Notes: IRA ownership in this table includes Keogh plans. In the 2022 SCF, 0.3% of households indicated that they had savings in Keogh accounts. Balances represent the aggregate value of all IRAs within a household. Numbers may not sum to total due to rounding.

Contributions to IRAs

Table 10 provides data on contributions to traditional IRAs in 2022. Nearly 5 million taxpayers contributed to traditional IRAs, with an average contribution of $4,510. More than half of individuals under age 50 (54.2%) and those age 50 to under 72 (53.5%) who made contributions to their traditional IRAs contributed the maximum amount ($6,000 for those under 50; $7,000 for those 50 and older in 2022).[53] Nearly 4% of taxpayers age 50 to under 72 made catch-up contributions of less than the maximum $1,000 amount (not shown in **Table 10**).

Table 10. Contributions to Traditional IRAs

Tax Year 2022

Age Group	Number of Contributing Taxpayers	Average Contribution	Percentage of Contributors Making the Maximum Contribution	Average Non-Maximum Contribution	Percentage of Contributors Age 50 and Older Making Any Catch-Up Contribution
All	4,989,322	$4,510	See note.	See note.	n/a
Under 35	724,782	$3,494	43.8%	$1,537	n/a
35 to under 50	1,649,326	$4,258	58.7%	$1,781	n/a
Under 50	2,374,108	$4,025	54.2%	$1,690	n/a
50 to under 65	1,998,656	$4,911	53.0%	$2,556	56.5%
65 to under 72	612,430	$5,095	55.0%	$2,767	59.8%
50 to under 72	2,611,086	$4,954	53.5%	$2,604	57.3%

Source: CRS analysis of Internal Revenue Service (IRS), "SOI Tax Stats—Accumulation and Distribution of Individual Retirement Arrangements (IRA)," Table 5: Taxpayers with Traditional Individual Retirement Arrangement (IRA) Contributions, by Size of Contribution and Age of Taxpayer, Tax Year 2022, https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements.

Notes: In 2022 (the latest year for which data is available), there were 128.4 million taxpayers with wage income. In 2022, the IRA contribution limit for individuals was $6,000. Individuals age 50 and older could make additional $1,000 catch-up contributions. Prior to 2020, an individual could not contribute to a traditional IRA in or after the year he or she turned 70½. IRS data for tax year 2022 does not provide data on taxpayers age 72 and older. *Maximum contribution* refers only to taxpayers who contribute the exact amount of the limit. The maximum contribution for taxpayers whose earned income fell below the contribution limit is lower and was not captured in this table. In addition, the contribution limit applies to all of an individual's IRAs, so individuals who contributed the maximum amount but split contributions between traditional and Roth IRAs are not recorded in the data as having contributed the maximum amount.

Because those over 50 have a different maximum contribution than those under 50 and there is no age information available for 4,128 taxpayers who contributed to traditional IRAs, CRS cannot determine the percentage of all taxpayers making the maximum contribution or the average non-maximum contribution of all taxpayers.

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[53] The $7,000 limit includes $1,000 in catch-up contributions.

Table 11 provides data on contributions to Roth IRAs in 2022. Over 10 million taxpayers contributed to Roth IRAs, with an average contribution of $3,482. Over one-third of taxpayers under 50 (34.5%) and about 38% of taxpayers age 50 and older who contributed to Roth IRAs in 2022 contributed the maximum amount ($6,000 for those under 50; $7,000 for those 50 and older in 2022).[54] About 6% of taxpayers age 50 and older made catch-up contributions of less than the maximum $1,000 amount (not shown in **Table 11**).

Table 11. Contributions to Roth IRAs

Tax Year 2022

Age Group	Number of Contributing Taxpayers	Average Contribution	Percentage of Contributors Making the Maximum Contribution	Average Non-Maximum Contribution	Percentage of Contributors Age 50 and Older Making Any Catch-Up Contribution
All	10,036,960	$3,482	See note.	See note.	n/a
Under 35	3,776,036	$3,021	34.9%	$1,504	n/a
35 to under 50	3,086,628	$3,211	34.0%	$1,777	n/a
Under 50	6,862,664	$3,135	34.5%	$1,628	n/a
50 to under 65	2,528,153	$4,111	35.8%	$2,498	42.4%
65 and older	627,464	$4,736	48.1%	$2,642	53.5%
50 and older	3,155,617	$4,235	38.3%	$2,522	44.6%

Source: CRS analysis of Internal Revenue Service (IRS), "SOI Tax Stats—Accumulation and Distribution of Individual Retirement Arrangements (IRA)," Table 6: Taxpayers with Roth Individual Retirement Arrangement (IRA) Contributions, by Size of Contribution and Age of Taxpayer, Tax Year 2022, https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements.

Notes: In 2022 (the latest year for which data is available), there were 128.4 million taxpayers with wage income. In 2022, the IRA contribution limit for individuals was $6,000. Individuals age 50 and older could make additional $1,000 catch-up contributions. *Maximum contribution* refers only to taxpayers who contribute the exact amount of the limit. The maximum contribution for taxpayers whose earned income fell below the contribution limit is lower and was not captured in this table. In addition, the contribution limit applies to all of an individual's IRAs, so individuals who contributed the maximum amount but split contributions between traditional and Roth IRAs are not recorded in the data as having contributed the maximum amount. Because those over 50 have a different maximum contribution than those under 50 and there is no age information available for 18,679 taxpayers who contributed to Roth IRAs, CRS cannot determine the percentage of all taxpayers making the maximum contribution or the average non-maximum contribution of all taxpayers.

[54] The $7,000 limit includes $1,000 in catch-up contributions.

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