ED SLOTT'S IRA ADVISOR

January 2019

Tax & Estate Planning For Your Retirement Savings

WHAT'S INSIDE?

Join the Retirement Planning Conversation

Top IRA Rulings of 2018

The most important IRA "ruling" of 2018 actually arrived in the waning days of 2017, when the Tax Cuts and Jobs Act (TCJA) was passed. Throughout 2018, it became apparent how that far-reaching legislation has impacted IRAs and other retirement plans. Of course, 2018 also brought other noteworthy IRA developments, from further legislation to court decisions to IRS actions. Here are 2018's top IRA rulings.

Lower Tax Rates

"Among the TCJA's most important developments is the expansion of the joint return tax brackets to twice the width of the single brackets, through the 24% rate," says Bruce Steiner, an attorney with the law firm Kleinberg, Kaplan, Wolff & Cohen in New York, NY. "This allows many married couples to do Roth IRA conversions and contributions at tax rates of 24% or less," says Steiner.

"Among the TCJA's most important developments is the expansion of the joint return tax brackets to twice the width of the single brackets, through the 24% rate."
-Bruce Steiner

In 2019, the 24% tax bracket goes up to $321,450 of taxable income on a joint return, twice the $160,725 ceiling for single taxpayers. (These brackets, which are indexed for inflation, are now in place through 2025).

IRAs and Section 199A

Another provision of the TCJA, the creation of tax code Section 199A, which offers a 20% deduction for qualified business income (QBI) from certain sources, may impact retirement plan contributions.

"Depending on the situation," says Steiner, "the impact of the QBI deduction can make either traditional retirement plan and IRA contributions or Roth contributions more attractive."

Steiner gives an example of a hypothetical self-employed Bennet, whose only source of income merits a QBI deduction. (QBI may come from self-employment, an S corporation, an LLC, a partnership, an estate, or a trust.) Bennet files a joint return with his wife, reporting taxable income around $300,000.

"If it were not for the 20% QBI deduction," states Steiner, "the couple would be in the 24% (or lower) tax bracket, but instead are in the 19.2% (or lower) bracket." This tends to devalue a traditional, pre-tax retirement account.