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# Tax Filing Deadline Extended to July 15: What It Means for IRA Savers

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On March 21, 2020, the Treasury Department and Internal Revenue Service (IRS) extended the federal income tax filing due date—also known as Tax Day—for the 2019 tax year. Workers now have until July 15 to prepare their 2019 tax returns, as well as more time to consider options to potentially reduce taxable earnings. One of the easiest and most popular ways to reduce taxable earnings is contributing to an individual retirement account (IRA).

To help retirement savers better understand how recent changes to the tax filing deadline may affect them—and how to make the most of it—Sarah Holden, ICI's senior director of retirement and investor research, offers her insights into the following commonly asked questions.

## Why is tax time a good time to open an IRA or contribute to existing IRA?

With Tax Day approaching, now is the perfect time to think about contributing to an IRA, because it offers considerable tax benefits. You might even be able to reduce your 2019 tax bill. If you don't own an IRA already, it's also a great time to think about opening an account and joining an estimated 46.4 million US households that have accumulated about $10 trillion in IRAs.

## If I don't own an IRA, is there a benefit to my 2019 tax return filing if I open one between now and July 15, before I file my tax return?

Yes, aside from saving for retirement, a tax-deductible contribution to a traditional IRA (made in 2020 but attributed to 2019) could reduce the amount of taxable income you report on your tax return, which reduces the amount you pay in taxes for the year.

## What is the difference between a traditional IRA and a Roth IRA?

IRAs offer a choice: you can pay your taxes now or you can pay your taxes later.Contributions to traditional IRAs are tax-deferred (subject to certain limits), meaning no income tax is paid until you withdraw money from the IRA. In contrast, contributions to Roth IRAs are taxable now, but no taxes are paid when you make a withdrawal (subject to certain restrictions).

## What if I contributed to my IRA last year, but did not max out? Can I still max out or contribute more for 2019 before July 15?

Yes, the IRS confirmed that July 15 is now the new deadline for making IRA contributions for the 2019 tax year. If you contributed less than the $6,000 maximum to your IRA in 2019 ($7,000 if you are age 50 or older), then you can still make additional contributions, which may be deductible on your 2019 tax return.

## If I already filed my 2019 tax return, is it too late to contribute to my IRA and qualify for the tax benefits?

No, it is not too late. You can still contribute, but you may have to file an amended return for deduction purposes or consider the extra contribution as a nondeductible addition. You should also inform your IRA custodian that the contribution should be attributed to the 2019 tax year.

## If I am receiving (or have received) a rebate check from the federal government's stimulus package, can I contribute it toward my IRA?

Yes. Americans who received a rebate check as part of the government's $2 trillion stimulus package can direct some or all of this toward their IRA contributions.

## Is there limit to how much I can contribute to an IRA for the 2019 tax year?

Yes. For the 2019 tax year, individuals are limited to $6,000 in total contributions to all of their traditional and Roth IRAs. Those 50 or older can contribute an additional $1,000. You're allowed to make those contributions until July 15.

## What is the "Saver's Credit," and how do I qualify?

Many workers may be eligible to take what's commonly referred to as the Saver's Credit, which can provide a tax credit of up to $1,000 ($2,000 if married filing jointly) for contributions to a retirement plan (such as a 401(k) or 403(b) plan) or IRA. This "Retirement Savings Contribution Credit" is available to workers who file single with an adjusted gross income (AGI) up to $32,000 for 2019. For heads of household, the AGI limit is $48,000, and for those who file jointly, the AGI limit is $64,000.

Everyone's circumstances are different, so it's important to check how these IRS rules affect you. For more information on IRAs, check out ICI's Individual Retirement Account Resource Center.

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