The Pension Digest

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ALSO IN THIS ISSUE –

IRA Contribution Limits for 2020 – Unchanged $6,000 and $7,000

The 2020 maximum limits for annual traditional IRA and Roth IRA contributions remain the same at $6,000 (if under age 50) and $7,000 (if age 50 or older). For 2019 the limits are also $6,000 and $7,000. Federal tax law provides for a change in the contribution limit once the cost of living adjustment equals or exceeds $500. The annual contribution catch-up for individuals age 50 or older remains at $1,000 as it is not indexed. Note on page 2 that the compensation limits used to determine the amount an IRA owner who is an active participant is able to claim as a tax deduction for their traditional IRA contribution have also increased.

The 2020 maximum contribution limit for SEP-IRAs is increased to $57,000 (or, 25% of compensation, if lesser) up from $56,000. The minimum SEP compensation limit used to determine if an employer must make a contribution for a part-time employee remains the same at $600.

The 2020 maximum contribution limits for SIMPLE-IRAs is increased to $13,500 if the individual is under age 50 and $16,500 if age 50 or older. The catch-up amount of $3,000 does not change.

The 2020 maximum elective deferral limit for 401(k) participants is changed to $19,500 for participants under age 50 and $26,000 for participants age 50 and older. The catch-up amount increases to $6,500 from $6,000.

Contribution limits for a person who is not age 50 or older.

Tax Year	Amount
2008-12	$5,000
2013-18	$5,500
2019-20	$6,000

Contribution Limits for a person who is age 50 or older.

Tax Year	Amount
2008-12	$6,000
2013-18	$6,500
2019-20	$7,000

IRS Issues 2020 IRA/Pension Limits

IRS Announces Cost-of-Living Adjustments for 2020

The IRS in Notice 2019-59 Released its 2020 Adjustments as Follows:

	2018	2020	2020
Taxable Wage Base — OASDI Only	$128,700	$132,900	$137,700
SEP and Qualified Plan Maximum Compensation Cap – 401(a)(17) & 404(e)	$275,000	$280,000	$285,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	$18,500	$19,000	$19,500
Elective Deferral Catch-up Limit for 401(k)	$6,000	$6,000	$6,500
SIMPLE Deferral Limit – 408(p)(2)(A)	$12,500	$13,000	$13,500
SIMPLE Catch-up Limit	$3,000	$3,000	$3,000
Highly-Compensated Employees (Compensation as Indexed)	$120,000	$125,000	$130,000
Defined Benefit Limit – Section 415(b)(1)(A)	$220,000	$225,000	$230,000
Defined Contribution Limit – Section 415(c)(1)(A)	$55,000	$56,000	$57,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	$600	$600	$600
Key Employee Top Heavy — 41(i)(ii)(a)(i)	$$175,000	$180,000	$185,000

Collin W. Fritz and Associates, Inc.,
"The Pension Specialists "

IRA Contribution Deductibility Chart for 2019

(for participants and/or spouses in employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below $64,000 or less	Entitled to full deduction
$64,001-$73,999.99	Entitled to prorated deduction amount - use special formula**
$74,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $64,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below $103,000 or less	Entitled to full deduction
$103,001 - $122,999.99	Entitled to prorated deduction amount - use special formula**
$123,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $103,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered or qualifying widower

Below $103,000 or less	Fully Deductible
$103,001-$122,999.99	Entitled to prorated deduction amount - use special formula**
$123,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $103,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below $193,000 or less	Fully Deductible
$193,001-$202,999.99	Entitled to prorated deduction amount - use special formula**
$203,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $193,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below $10,000	Entitled to prorated deduction amount - use special formula**
$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

*Any amount determined under this formula which is not a multiple of $10 shall be rounded to the next lowest $10.

However, an IRA accountholder will be able to deduct a minimum of $200 as long as his or her AGI is not above the phase-out range (base amount plus $10,000).

IRA Contribution Deductibility Chart for 2020

(for participants and/or spouses in employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below $65,000 or less	Entitled to full deduction
$65,001-$74,999.99	Entitled to prorated deduction amount - use special formula**
$75,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $65,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below $104,000 or less	Entitled to full deduction
$104,001 - $123,999.99	Entitled to prorated deduction amount - use special formula**
$124,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $104,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered or qualifying widower

Below $104,000 or less	Fully Deductible
$104,001-$123,999.99	Entitled to prorated deduction amount - use special formula**
$124,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $104,000/$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below $196,000 or less	Fully Deductible
$196,001-$205,999.99	Entitled to prorated deduction amount - use special formula**
$206,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $196,000/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below $10,000	Entitled to prorated deduction amount - use special formula**
$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot deduct.*

*Any amount determined under this formula which is not a multiple of $10 shall be rounded to the next lowest $10.

However, an IRA accountholder will be able to deduct a minimum of $200 as long as his or her AGI is not above the phase-out range (base amount plus $10,000).

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Roth IRA Contribution Chart for 2019

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $122,000	Entitled to full contribution amount
$122,000-$136,999.99	Entitled to prorated contribution amount - use special formula*
$137,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $122,000/$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Jointly

Below $193,000	Entitled to full contribution amount.
$193,000-202,999.99	Entitled to prorated contribution amount - use special formula*
$203,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $193,000/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Separate Returns

$0-$9,999.99	Entitled to prorated contribution amount - use special formula*
$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Roth IRA Contribution Chart for 2020

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below $124,000	Entitled to full contribution amount
$124,000-$138,999.99	Entitled to prorated contribution amount - use special formula*
$139,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $124,000/$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Jointly

Below $196,000	Entitled to full contribution amount.
$196,000-205,999.99	Entitled to prorated contribution amount - use special formula*
$206,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $196,000/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

Married Filing Separate Returns

$0-$9,999.99	Entitled to prorated contribution amount - use special formula*
$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of $0/$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest $10.00.

SEP and SIMPLE Limits

	2017	2018	2019	2020
Maximum SEP Contribution	$54,000	$55,000	$56,000	$57,000
Maximum SIMPLE Deferral (Under age 50)	$12,500	$12,500	$13,000	$13,500
Maximum SIMPLE Deferral (Age 50 & older)	$15,500	$15,500	$16,000	$16,500

Saver's Credit Limits for 2019

The applicable percentage for 2019 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$38,500	50%
$38,500	$41,500	20%
$41,500	$64,000	10%
$64,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$28,875	50%
$28,875	$31,125	20%
$31,125	$48,000	10%
$48,000	N/A	0%

Other Filers Single, Qualifying Widower & Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$19,250	50%
$19,250	$20,750	20%
$20,750	$32,000	10%
$32,000	N/A	0%

Saver's Credit Limits for 2020

The applicable percentage for 2020 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$39,000	50%
$39,5000	$42,500	20%
$42,500	$65,000	10%
$65,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$29,250	50%
$29,250	$31,875	20%
$31,875	$48,750	10%
$48,750	N/A	0%

Other Filers Single, Qualifying Widower & Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$19,500	50%
$19,500	$20,150	20%
$20,150	$32,500	10%
$32,500	N/A	0%

Administering Inherited IRAs for the Year the IRA Owner Dies

Inherited IRAs are a complicated topic for many reasons. One reason is, the IRS should revise its discussion in Publication 590-B to be more comprehensive and to be easier to understand.

For a general discussion we suggest you review our article, "Administering Beneficiary or Inherited IRAs" as written in November of 2018. **The purpose of this article is to discuss whether an IRA custodian/trustee is ever permitted to adopt the following administrative approach. If the 2019 RMD is calculated for an IRA owner and that IRA owner dies without having been paid the entire RMD, may the remaining amount be paid into the checking account established for the person's estate? Or, must the remaining RMD be distributed to the beneficiary(ies) by December 31, 2019?**

The IRS in Publication 590-B (IRA Distributions) on page 8 under the section titled, Distributions in the year of the owner's death sets forth a note – "You figure the RMD for the year in which the IRA owner dies as if the owner lived for the entire year." The IRS adopted the approach – the RMD for the year of the IRA owner's death is not to be recalculated, it is still to be used as calculated at the beginning of the year. Upon the death of the IRA owner the duty to withdraw the RMD becomes the duty of the beneficiary(ies). The fact that the RMD is not recalculated for a beneficiary does not mean that the remaining RMD is to be paid to the decedent's estate or the decedent's personal checking account. An IRA beneficiary has until December 31st to withdraw the remaining RMD, if any. Starting with the following year there is, in general, to be an RMD calculation for each beneficiary.

We at CWF were recently contacted by an IRA representative with Bank #1 who on a personal basis was one of four children who were the designated beneficiaries of their mother's traditional IRA. The mother had established an automatic IRA RMD distribution schedule with Bank #2. Her RMD was to be distributed to her checking account at Bank #2 on July 7 of each year. Her 2019 RMD had been calculated to be $2,400. No distribution was made to her prior to her passing. She died on May 10, 2019 when the IRA balance was $60,000.

On August 10, 2019, the IRA representative of Bank #1 contacted Bank #2 to commence the transfer of her inherited funds ($15,000) into her inherited IRA with Bank 1. She was informed. There is only $14,400 to be transferred because her RMD of $2,400 was paid into her checking account pursuant to her established schedule.

The IRA representative of Bank #1 contacted us for our understanding of this situation. Our discussion is set forth below. Automatic distributions of RMDs must terminate upon the IRA owner's death.

You called yesterday to discuss an inherited IRA situation. Your mother was an IRA owner. She died in 2019. She was over 70 1/2. She died after her required beginning date. She had not withdrawn her 2019 RMD prior to her passing. She had designated her four children as her primary beneficiaries. You are one of the four beneficiaries.

Your mother had established her IRA with another IRA custodian. This IRA custodian has now established an inherited IRA for each of the 4 beneficiaries, including you.

Bank 2 upon guidance from its third party IRA processor (ABC) paid the $2,400 to the decedent's checking account or savings account. This distribution took place after your mother had passed.

Had your mother established an automatic distribution of her annual RMD? Or was the RMD paid or distributed to an estate account? Does the IRA plan agreement contain a special discussion of this situation (payment of RMD to person's estate for the year of death)?

As I briefly discussed I am very interested in understanding why ABC believes it is proper for IRS tax reporting reasons to report that a distribution of $2,400 was paid to your mother (or any IRA owner) when that distribution occurs after her passing. Does ABC have a written explanation setting forth the legal authority for their approach?

Under the ABC approach, the amount inherited by a beneficiary is not 20% of the balance as of the date of passing, but 20% of such balances as reduced by the RMD. ABC does not believe that each beneficiary was entitled (and required) to a prorata share of the $2,400 or $600. ABC on behalf of Bank 2 will presumably be preparing a 2019 Form 1099-R showing that $2,400 was distributed to your mother.

Upon your mother's passing the funds in the inherited IRA became "owned" by the beneficiaries. Her estate did not become the owner of any portion of these funds unless the IRA plan agreement has been written to say that the IRA owner's estate is a beneficiary to the extent of the 2019 RMD which has not yet been distributed and then the remainder is to go the other designated beneficiaries.

We understand the IRS' position is – each beneficiary has a duty to take out their prorata portion of the 2019 RMD as calculated for the deceased IRA owner by 12/31/2019, and then the RMD for each beneficiary for 2020 and subsequent years will based on the age of the beneficiary in the year following the year the IRA owner died. A beneficiary's failing to take the RMD by 12/31/2019 would mean each beneficiary owes the 50% tax (and taxes and penalties if not timely paid).

What are the legal and tax ramifications for Bank 2 if ABC's position is wrong?

There could be substantial legal and tax problems. There are three parties, each with their own concerns and interests. The three parties are: each beneficiary, the IRA custodian and ABC.

1. You and each other beneficiary can claim from Bank 2- you've transferred into my inherited IRA less than I'm entitled to. Transfer the correct amount which is 25% of the IRA balance as of the date of death or $15,000.

2. The IRA custodian will need to recover from the deceased IRA owner's account (or the estate) the improper RMD distribution. Such amount belongs to the beneficiaries. The IRS has furnished no guidance whether the improper distribution amount may be returned to the inherited IRA.

The conservative approach - each beneficiary is paid his or her 25% share of the RMD and the IRA custodian agrees to prepare the corresponding 1099-R forms for each beneficiary.

3. IRA tax rules require a recipient of an IRA distribution to include such distribution in income for that tax year and the person will pay tax at his or her marginal tax rate. Remember basis within an IRA is not taxed when withdrawn.

There will be times when an IRA beneficiary will have a higher marginal tax rate than the deceased IRA owner. The I RS will collect less tax revenues than it should if the deceased IRA owner pays the tax on the RMD distribution versus the beneficiaries. This is tax fraud.

4. The Form 1099-R as prepared for the deceased IRA owner will be wrong. The IRS can assess a $270 fine (times two) for the incorrect Form 1099-R. If a tax return is prepared showing the distribution, that tax return must be corrected.

5. There may be problems with the 5498 Form as prepared for each beneficiary.

6. It is each beneficiary who has the duty to take out their share of the 2019 RMD. As we know, the 50% excise tax applies when someone fails to take an RMD. A wrongful distribution to the decedent's estate does not mean each beneficiary does not need to withdraw his or her share of the RMD by 12/31/2019.

7. In some situations an IRA beneficiary would have the duty to correct tax returns already filed.

You and your siblings will need to decide what course of action, if any, to take. As discussed the course of action as adopted by the IRA custodian could cause you and the other beneficiaries some tax problems. It may be the IRS would never discover the problems (i.e. the non-compliance). Guidance from the IRS could be sought.

I believe the starting point for each beneficiary is – what is the IRA custodian's written explanation (or that of ABC) setting the legal authority why these RMD funds did not belong to the IRA beneficiaries. The beneficiaries never authorized the withdrawal.

Automatic distributions of RMDs must terminate upon the IRA owner's death so that the RMD is paid to each beneficiary.

Tax Consequences of Failing to Cash a Distribution Check From a Qualified Retirement Plan (or a traditional/SEP/SIMPLE-IRA)

The IRS issues Revenue Rulings to assist tax payers in understanding and complying with federal income tax laws. The IRS recently issued Rev. Rul. 2019-19.

At times a 401(k) participant will be mailed a distribution check and the person fails to cash it or cashes it many months after it was mailed. Some individuals would like to believe that because the check was not cashed or it was cashed in a subsequent year that they are not required to include such amount in their income for the distribution year and pay tax at their applicable marginal income tax bracket for such year.

These individuals are guilty of wishful thinking. A tax lesson will be learned the hard way. The IRS has written Rev. Rul. 2019-19 to explain the IRS' position on this situation. The IRS guidance is very basic. <u>This guidance is premised on the fact that a person receives a distribution and then does not cash the check</u>. The IRS added a footnote. "For purposes of this revenue ruling, whether a person keeps the check, sends it back, destroys it, or cashes it in a subsequent year is irrelevant."

For illustration purposes the IRS presents the following hypothetical 401(k) situation as modified by CWF. A person (John Doe) is scheduled to take a $900 distribution in 2019 from the 401(k) plan. He has no basis or non-taxable funds in his 401(k) account. 100% of any distribution to him must be included in his income. The plan administrator withholds 20% of the $900 distribution or $180 for federal income tax purposes. He is mailed a check in the amount of $720. John receives this check in 2019, but for whatever reason he does not cash it. And he does not make a rollover contribution.

The IRS' analysis and position is, a person is required to include a pension distribution in their income for the year of receipt regardless that the recipient fails to cash the check. John's not cashing the check does not give him the right to exclude the distribution from his income.

And a 401(k) administrator has the duty to comply with the withholding rules regardless whether John cashed the check. The 401(k) administrator is not allowed to not comply with the 20% withholding rules because a participant fails to cash the distribution check. That is, with respect to any distribution which is eligible to be directly rolled over, but which is not, the 401(k) administrator is liable to withhold the $180 (20% of the $900) and pay it to the IRS. If this is not done, the plan administrator owes the $180 and must pay it.

The 401(k) administrator also has the duty under Code section 6047(d) to prepare the Form 1099-R to report that a $900 distribution was made to John Doe. The fact that John Doe did not cash the check is not a valid reason allowing the 401(k) administrator to not prepare the Form 1099-R. The IRS' instructions for preparing the Form 1099-R must be followed. Box 1 and 2a must be completed with $900 and the $180 of federal withholding must be reported in box 4.

At the end of Rev. Rul 2019-19, the statement is made that the Department of the Treasury and the IRS continue to analyze issues that arise in other situations involving uncashed checks from eligible retirement plans including situations involving missing individuals.

Note that the above IRS guidance depends upon the fact that the person received the distribution, but did not cash the check. The IRS guidance does not address the situation where a check for 80% is sent to a person (with 20% withheld), but the check is returned as undeliverable or is never received by the individual. In these cases, there has been no actual distribution to the person and there is to be no federal withholding or preparation of the Form 1099-R.

401(k) administrators will want in some distribution mailing situations to use certified mail with return receipt services so that it can prove that a person actually received the distribution. Otherwise, there very well could be mistakes being made with respect to withholding and preparation of the related 1099-R forms.

Also note that the IRS does not mention IRAs expressly in Rev. Rul 2019-19. The IRS should provide additional guidance for IRA custodians and IRA trustees. One can expect the IRS to adopt very similar positions with

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respect to IRA distributions. The key determination is - did the person receive the TRA distribution check? The duty of the IRA custodian to withhold and prepare the Form 1099-R depends upon an actual distribution being received by a person in a given year (e.g. 2019). Unless an IRA owner or beneficiary has previously instructed not to have federal income tax withheld, the IRA custodian must withhold 10% of the distribution and can mail a check to the individual for the other 90%.

IRAs and the Tax Filing Status of a Qualifying Widow(er) With Dependent Child

A person's right to make and deduct IRA contributions is based on the person's tax filing status. Under U.S. tax laws there are five tax filing categories:

1. Single;
2. Head of Household;
3. Married filing jointly;
4. Married Filing Separately; and
5. Qualifying Widow(er) With Dependent Child.

The purpose of this article is to discuss the rules to be met for a person to file as a qualifying widower with a dependent child and to explain the related special IRA tax benefits.

A filing as a Qualifying Widower With a Dependent Child entitles the surviving spouse to the same tax benefits associated with filing as Married Filing Jointly. One is entitled to use the Married Filing Jointly tax rates and also use the highest standard deduction amount, if applicable. And one receives IRA related tax benefits as discussed below. These special benefits only apply to the two years after the spouse has died.

A surviving spouse will be able to make a larger tax deductible contribution to a traditional IRA or a larger contribution to a Roth IRA if he or she files as a Qualifying Widower With Dependent Child.

Traditional IRA Contributions By an Active Participant.

For discussion purposes it is assumed Jane Doe (born 2-17-75) was married to Paul Doe (born 3-13-77). Their daughter Mary (born 6-6-03) lives at home. Paul died on 12-15-18. Jane had income of $80,000 in 2018. Paul had compensation of $60,000 in 2018. Both were active participants in their employer's 401 (k) plan. Jane's income in 2019 will be $85,000. She has not remarried.

For 2018 each was under age 50 and each was eligible to contribute $5500, but they were ineligible to claim any tax deduction as their AGI exceeded the phase-out limit of $121,000.

For 2019, Jane is eligible to contribute and deduct $6,000 because she qualifies to file as a Qualifying Widower With Dependent Child. Even though an active participant her income of $85,000 is less than the phase-out limit applying to a married couple filing jointly. This limit is $123,000. If she files using the single category, she will be ineligible to deduct any amount as her income of $85,000 exceeds the phase-out amount of $74,000 which applies to a single filer.

Roth IRA Contributions

For discussion purposes it is assumed that Jane Doe (born 2-17-75) was married to Paul Doe (born 3-13-77). Their daughter Mary (born 6-6-03) lives at home. Paul died on 12-15-18. Jane had income of $130,000 in 2018. Paul had compensation of $90,000 in 2018. Jane's income in 2019 will be $140,000. She has not remarried.

For 2018 both were ineligible to contribute $5,500 to a Roth IRA as their combined income of $220,000 exceeded the phase-out amount of $199,000.

For 2019, Jane will be eligible to contribute $6,000 to her Roth IRA because she qualifies to file as a Qualifying Widower With Dependent Child. The phase-out limit is $230,000 and her income is $140,000. If she files using the single category, she will be ineligible to make a Roth IRA contribution as her income of $140,000 exceeds the phase-out amount of $137,000 which applies to a single filer.

Most married couples will file a joint income tax return. If one spouse dies and the surviving spouse does not remarry, that person in the following year will generally be required to file a single tax return. However, if the person qualifies as a qualifying widower with a dependent child the person may continue to use the

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married filing jointly status for the two years after the spouse died. For example, if a person's spouse died in 2018, then the surviving spouse is able to file their 2019 and 2020 returns as Qualifying Widower With Dependent Child.

For the year the spouse dies, the couple is able to file using the category married filing jointly.

In order to be eligible to file as a Qualifying Widower With Dependent Child, the following requirements must be met:

1. A person must have a child or stepchild (not a foster child) whom can be claimed as a dependent. A child includes an adopted child and one placed with the person for adoption.
2. The child lived in your home for the entire year.
3. The person has paid over 50% of the cost of keeping up the home.
4. The person could have filed a joint return with their spouse for the year he or she died even such filing was not made.
5. The person stays unmarried for the two years following the year of the death of their spouse. In the example, this would be January 1, 2021 if the spouse died in 2018.

Being a tax subject, there are some exceptions.

In the following situations, the child is not required to be the person's dependent:

A. The child had gross income of $4,150 or more.
B. The child filed a joint income tax return because he or she was married.
C. person could be claimed as dependent on someone else's tax return.

The entire year requirement is deemed met in the following situations:

A. A child who was born during the year.
B. A child who died during the year and the person's home was the child's sole home for the entire time he or she was alive.
C. Temporary absences of the person or the person's child count as time lived in the home. Such absences include school, vacation, business, medical care, military service or detention in a juvenile facility.

A person is required to file a federal income tax return only if their income exceeds a certain amount. For 2018, this amount is $12,000 or $13,600 if filing single and $24,000 or $25,300 if filing as a qualifying widow(er).

According to the Saver's Tax Credit rules, the applicable categories are married filing jointly, head of household and all others. All others means single, married filing separately or qualifying widower. It is illogical that a qualifying widower for purposes of the Saver's Tax Credit does not receive the same benefit as Married Filing Jointly but the statutory law (Code section 25B) provides for that result.

In summary, a person who has lost their spouse within the previous 2 years and has a dependent will generally find it advantageous to file his or her tax return under the category, Qualifying Widow(er) With Dependent Child. Note that the IRS for limited space reasons in the various IRA charts set forth in Publication 590-A uses the term "Qualifying Widow(er)" rather than the complete term, Qualifying Widower With Dependent Child. This could cause some confusion.