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Collin W. Fritz and Associates, Inc.,
“The Pension Specialists”



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IRS Releases 2019 Versions of Publications 590-A and 590-B

On February 20, 2020, the IRS released the 2019 versions of its two IRA publications: Publication 590-A, Contributions to IRAs and Publication 590-B, Distributions from IRAs.

Remember that the IRS directs these publications to the IRA accountholder and an IRA beneficiary. These publications are not directed at the IRA custodian/trustee.

The IRS as in previous years discusses briefly any law changes and regulatory changes affecting the current tax year (2019) and the upcoming tax year (2020).

Until 2014 the IRS had only one IRA publication, Publication 590, which discussed both contributions and distributions. Although the two document approach has its merits, a person often will want to review both publications because there are times when the subject matter is not clearly a contribution topic or a distribution topic and IRS can surprise you where it includes a topic.

Here is our summary of the IRS' discussion of “What's New” for IRA Contributions for 2019 and 2020 as set forth in Publication 590-A.

What's New for 2019

1. The income limits for traditional IRAs and Roth IRAs did increase slightly versus 2018.

2. If a person receives difficulty of care payments, this person may be entitled to make additional nondeductible IRA contributions after December 20, 2019. Prior to the law change such a person did not have compensation making him or her eligible to make an IRA contribution. A difficulty of care payment is a type of qualified foster care payment.

3. Prior to 2019 the general rule was, a person receiving alimony had to include such alimony in their income and consequently the IRS had ruled that the person was eligible to make an annual IRA contribution. Commencing for tax year 2019 the law was changed so that a person divorced in 2019 or later (or a separation agreement) and who receives alimony is no longer required to include the alimony in their income and therefore is ineligible to use alimony to make an annual IRA contribution. However, a person divorced prior to 2019 and receiving alimony must include such alimony in come and is eligible to make an IRA contribution unless the divorce or separation agreement is modified in 2019 or later to expressly provide that the person need not include the alimony in their income.

What's New for 2020

1. The income limits for traditional IRAs and Roth IRAs did increase slightly versus 2019.

2. The maximum age eligibility rule for making traditional IRA contributions was repealed for tax year 2020 and subsequent years. It was not repealed for 2019. In order to be eligible to make an

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2019 Versions,
Continued from page 1

annual traditional IRA contribution for 2019 or an earlier year a person could not be age 70½ or older. The IRS does not discuss as clearly as it should that a person subject to taking a required minimum distribution (RMDs) is now eligible to make an annual contribution for 2020 as long as the person has eligible compensation.

3. If a person receives in 2020 certain taxable non-tuition fellowship and stipend payments, then such payments are to be treated as compensation for purposes of making an IRA contribution. Prior to the law change such payments did not qualify as compensation making the person eligible to make an IRA contribution.

4. There was a large expansion of the taxpayers who qualified for the special tax relief bestowed on the victims of certain major disasters. Certain tax payers are authorized to repay qualified disaster distributions over a three time period and they do not count for purposes of the once per year rollover rule.

Here is our summary of the IRS' discussion of "What's New" for IRA Distributions for 2019 and 2020 as set forth in Publication 590-B.

What's New for 2019

1. Certain taxpayers affected by Federally declared disasters declared after 12-20-2019 may be eligible for an automatic 60-day extension for filing and paying their taxes and other administrative deadlines. The IRS discussion of the 60-day automatic extension is discussed below.

We at CWF believe the extension of the automatic 60-day tax filing deadline is more a contribution topic than a distribution topic, but the IRS chose to discuss it in Publication 590-B.

2. There was an expansion of the taxpayers who qualify for the special tax relief bestowed on the victims of certain major disasters. Basically disaster relief is granted with respect to any federally declared disaster occurring in 2018 and 2019 and early in 2020 (within 60 day period commencing after December 20, 2019). Certain tax payers are authorized to repay qualified disaster distributions over a three time period and they do not count for purposes of the once per year rollover rule.

What's New for 2020

1. The RMD age has been changed from age 70½ to age 72 for any traditional IRA, SEP-IRA, and SIMPLE-IRA accountholder who was not age 70½ by December 31, 2019. A person who was age 70½ as of December 31, 2019 remains subject to the current RMD rules even though the person is not age 72. The required beginning date for any traditional IRA, SEP-IRA, and SIMPLE-IRA accountholder who was not age 70½ by December 31, 2019 is April 1st of the year following the year of attaining age 72.

2. There are new RMD rules for designated beneficiaries of IRA accountholder who die in 2020 and subsequent years. All distributions to the inheriting beneficiary, must be made by the end of the 10th year after the IRA accountholder dies.

That is, the inherited IRA must be closed by December 31st of the 10th year following the year the IRA accountholder died. The IRS does acknowledge that certain eligible designated beneficiaries are not subject to the 10-year rule, but the IRS does not define who are such eligible designated beneficiaries. Presumably, the IRS will do so in the 2020 version.

IRS Discussion of new 60-day automatic extension. The IRS will need to issue additional guidance as to how this law applies to the ongoing Coronavirus Disease 2019 Pandemic.

60-day automatic extension

Certain taxpayers affected by federally declared disasters declared after December 20, 2019, may be eligible for an automatic extension for certain tax deadlines, such as filing income, excise, and employment tax returns; and making contributions, including rollovers, to IRAs.

If the deadline would otherwise fall in the period beginning on the earliest incident date specified for the disaster area and ending on the date that is 60 days after the latest incident date specified for the disaster area, the deadline is postponed until the end of the period.

2019 Versions,
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The taxpayers eligible for this extension are those described above who are in one or more of the categories under Who is eligible, next.

Who is eligible. The following taxpayers are eligible for the postponement.

- Any individual whose main home is located in a federally declared disaster area.
- Any business entity or sole proprietor whose principal place of business is located in a federally declared disaster area.
- Any individual who is a relief worker affiliated with a recognized government or philanthropic organization and who is assisting in a federally declared disaster area.
- Any taxpayer whose records necessary to meet a postponed tax deadline are maintained in a federally declared disaster area.
- Any spouse on a joint return with an individual who is eligible for a postponement.
- Any individual visiting a federally declared disaster area who was killed or injured as a result of the disaster.

Reporting IRA Transactions on the Revised 2019 Federal Income Tax Forms

The IRS has revised the 2019 Form 1040 versus the 2018 version. There are now separate lines to report IRA distributions versus pension distributions. See the adjacent page. Lines 4a and 4b will report IRA distributions and lines 4c and 4d will report pension and annuity distributions. On the 2018 version there were only the two lines. Presumably, the IRS concluded the combined reporting was not to their liking. The IRS could not tell if the person had an IRA distribution, a pension distribution or both. Presumably, taxpayers had some difficulty in completing the tax form to explain why an IRA distribution was not taxable.

Set forth are the 2019 Form 1040, Schedule 1, Schedule 2 and Schedule 3. Note that for 2018 there was a Schedule 4 (Other Taxes). It was eliminated. These Other Taxes are now set forth in Part II in Schedule 2 (Additional Taxes).

Distributions from IRAs will be reported on lines 4a/b of the 2019 Form 1040. The gross amount distributed will be reported on line 4a and the taxable amount will be reported on line 4b. The taxpayer must explain why certain distributions are not taxable. Distributions which are rolled over are not taxable. Withdrawal of an excess contribution is not taxable. Withdrawal of a qualified charitable contribution is not taxable. Withdrawal of a qualified HSA Funding distribution is not taxable. A person claiming a tax deduction for their traditional IRA contribution will complete line 32, IRA deduction, on Schedule 1.

Be aware the IRS has also created a Form 1040-SR for seniors. It is very similar to Form 1040, but there are special provisions for seniors. The fonts are larger and it has a special discussion of the standard deduction. It may be reviewed at the IRS website.

A person claiming a tax deduction for their SEP IRA, SIMPLE-IRA or a pension contribution by a self-employed person to their qualified plan will complete line 15 of Schedule 1 to claim the deduction.

Schedule 2 will be completed by certain taxpayers to report other taxes owed. The individual will complete line 6 to report the 10% tax with respect to a person not yet age 59½ or older, the 6% tax for an uncorrected excess contribution and the 50% tax for a missed RMD (excess accumulation). Form 5329 must be completed and attached

Schedule 3 will be used by certain taxpayers to claim a non-refundable credit for making a traditional IRA contribution, Roth IRA contribution, or an elective deferral to a 401(k) plan. The individual will complete line 4 to claim the retirement savings contribution credit. Form 8880 must be completed and attached.

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

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Form **1040**

Department of the Treasury—Internal Revenue Service

(99)

U.S. Individual Income Tax Return

2019

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

Filing Status

Check only one box.

☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name	Foreign province/state/county	Foreign postal code
		If more than four dependents, see instructions and ✓ here ▶ <input type="checkbox"/>

Standard Deduction

Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness

You: ☐ Were born before January 2, 1955 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Standard Deduction for—
• Single or Married filing separately, \$12,200
• Married filing jointly or Qualifying widow(er), \$24,400
• Head of household, \$18,350
• If you checked any box under **Standard Deduction**, see instructions.

1 Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a Tax-exempt interest 2a	2b	
3a Qualified dividends 3a	3b	
4a IRA distributions 4a	4b	
c Pensions and annuities 4c	4d	
5a Social security benefits 5a	5b	
6 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	6	
7a Other income from Schedule 1, line 9	7a	
b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income ▶	7b	
8a Adjustments to income from Schedule 1, line 22	8a	
b Subtract line 8a from line 7b. This is your adjusted gross income ▶	8b	
9 Standard deduction or itemized deductions (from Schedule A) 9		
10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 10		
11a Add lines 9 and 10 11a		
b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0- 11b		

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2019)

Form 1040 (2019)

Page **2**

	12a Tax (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	12a		
	b Add Schedule 2, line 3, and line 12a and enter the total		12b	
	13a Child tax credit or credit for other dependents	13a		
	b Add Schedule 3, line 7, and line 13a and enter the total		13b	
	14 Subtract line 13b from line 12b. If zero or less, enter -0-		14	
	15 Other taxes, including self-employment tax, from Schedule 2, line 10		15	
	16 Add lines 14 and 15. This is your total tax		16	
	17 Federal income tax withheld from Forms W-2 and 1099		17	
	18 Other payments and refundable credits:			
	a Earned income credit (EIC)	18a		
	b Additional child tax credit. Attach Schedule 8812	18b		
	c American opportunity credit from Form 8863, line 8	18c		
	d Schedule 3, line 14	18d		
	e Add lines 18a through 18d. These are your total other payments and refundable credits		18e	
	19 Add lines 17 and 18e. These are your total payments		19	
Refund	20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid		20	
Direct deposit? See instructions.	21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>		21a	
	b Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number			
	22 Amount of line 20 you want applied to your 2020 estimated tax	22		
Amount You Owe	23 Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions		23	
	24 Estimated tax penalty (see instructions)	24		
Third Party Designee (Other than paid preparer)	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No			
	Designee's name	Phone no.	Personal identification number (PIN)	
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Joint return? See instructions. Keep a copy for your records.	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
	Phone no.	Email address		
Paid Preparer Use Only	Preparer's name	Preparer's signature	Date	PTIN
	Firm's name	Phone no.		Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
	Firm's address	Firm's EIN		

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form **1040** (2019)

SCHEDULE 1
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

► **Attach to Form 1040 or 1040-SR.**
► **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2019

Attachment
Sequence No. **01**

Name(s) shown on Form 1040 or 1040-SR

Your social security number

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ **Yes** ☐ **No**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ►		
3	Business income or (loss). Attach Schedule C	3	*
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	*
7	Unemployment compensation	7	
8	Other income. List type and amount ►	8	
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	
15	Self-employed SEP, SIMPLE, and qualified plans	15	*
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions) ►		
19	IRA deduction	19	*
20	Student loan interest deduction	20	
21	Tuition and fees. Attach Form 8917	21	
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a	22	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040 or 1040-SR) 2019

SCHEDULE 2
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service

Additional Taxes

► Attach to Form 1040 or 1040-SR.
► Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2019
Attachment
Sequence No. **02**

Name(s) shown on Form 1040 or 1040-SR

Your social security number

Part I Tax

1	Alternative minimum tax. Attach Form 6251	1	
2	Excess advance premium tax credit repayment. Attach Form 8962	2	
3	Add lines 1 and 2. Enter here and include on Form 1040 or 1040-SR, line 12b	3	

Part II Other Taxes

4	Self-employment tax. Attach Schedule SE	4	
5	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	5	
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	6	*
7a	Household employment taxes. Attach Schedule H	7a	
b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	7b	
8	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	8	
9	Section 965 net tax liability installment from Form 965-A	9	
10	Add lines 4 through 8. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 15	10	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71478U

Schedule 2 (Form 1040 or 1040-SR) 2019

SCHEDULE 3
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service

Additional Credits and Payments

► Attach to Form 1040 or 1040-SR.
► Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2019
Attachment
Sequence No. **03**

Name(s) shown on Form 1040 or 1040-SR

Your social security number

Part I Nonrefundable Credits

1	Foreign tax credit. Attach Form 1116 if required	1	
2	Credit for child and dependent care expenses. Attach Form 2441	2	
3	Education credits from Form 8863, line 19	3	
4	Retirement savings contributions credit. Attach Form 8880	4	*
5	Residential energy credits. Attach Form 5695	5	
6	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	6	
7	Add lines 1 through 6. Enter here and include on Form 1040 or 1040-SR, line 13b	7	

Part II Other Payments and Refundable Credits

8	2019 estimated tax payments and amount applied from 2018 return	8	
9	Net premium tax credit. Attach Form 8962	9	
10	Amount paid with request for extension to file (see instructions)	10	
11	Excess social security and tier 1 RRTA tax withheld	11	
12	Credit for federal tax on fuels. Attach Form 4136	12	
13	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	13	
14	Add lines 8 through 13. Enter here and on Form 1040 or 1040-SR, line 18d	14	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71480G

Schedule 3 (Form 1040 or 1040-SR) 2019

Contribution Limits,
Continued from page 3

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 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.

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

<u>Tax Year</u>	<u>Amount</u>
2008-12	\$5,000
2013-18	\$5,500
2019-20	\$6,000

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

<u>Tax Year</u>	<u>Amount</u>
2008-12	\$6,000
2013-18	\$6,500
2019-20	\$7,000

Review of IRA Contributions — Eligibility Rules for 2020

We at CWF sent the following response to an IRA custodian who had asked about a certain customer's eligibility to make IRA contributions for 2020. Most people are eligible to make traditional IRA contributions. More people should be making traditional IRA contributions even though they participate in a 401(k) plan.

You have a customer who is considering making an IRA contribution for 2020. His annual income is approximately \$62,000. He is unmarried. He is age 56.

This individual is eligible to make his standard IRA contribution \$6,000 and his catch-up contribution (if age 50 or older during 2020) of \$1,000 regardless of whether he participates in a 401(k) plan.

A person who has compensation for the current year (i.e. 2020) is eligible to make a traditional IRA contribution. The age restriction has been repealed.

High income or being wealthy does not make a person ineligible to make a traditional IRA contribution. Being in a 401(k) plan does not affect how much he is eligible to contribute to his traditional IRA or Roth IRA.

Being an active participant in a 401(k) plan may impact whether or not an individual may claim a tax deduction for his or her traditional IRA contribution.

Contributions to a traditional IRA will either be deductible or nondeductible. Both of these types of contributions can be made to the same traditional IRA. It is not the IRA custodian's job to track any nondeductible contributions (i.e. basis).

Being in a 401(k) impacts whether or not a person is eligible to claim a tax deduction for his traditional IRA contribution. If his 2020 MAGI is too high, he loses the ability to claim a tax deduction for some or all of his contribution. However, if his MAGI (more than just wages) is below a certain level (\$65,000 if filing "single" and \$104,000 if filing married/joint) then he is able to deduct 100% of his traditional IRA contribution.

The above discussion is based on the assumption he is making a traditional IRA contribution.

If he wanted to make a Roth IRA contribution, he could do so since he meets the two eligibility rules. He has Roth "IRA" compensation and his MAGI does not exceed the limits set forth in the following chart:

MAGI EFFECT ON ROTH IRA CONTRIBUTIONS

		2019	2020	%
Single, Head of Household	Less than	\$122,000	\$124,000	100%
	Between			Prorated
	More than	\$137,000	\$139,000	0%
Married Filing Jointly or Qualifying Widow(er)	Less than	\$199,000	\$203,000	100%
	Between			Prorated
	More than	\$209,000	\$213,000	0%
Married Filing Separately	Less than	\$0	\$0	100%
	Between			Prorated
	More than	\$10,000	\$10,000	0%

Note that being in a 401(k) plan does not affect his ability to make a contribution to his Roth IRA. Even if he is age 75, he is eligible to make a Roth IRA contribution as there never has been an age 70½ rule for Roth IRA contributions.