

IRM PROCEDURAL UPDATE

DATE: 11/13/2024

NUMBER: ts-21-1124-1129

SUBJECT: Various 2025 Tax Year Limitations

AFFECTED IRM(s)/SUBSECTION(s): 21.6.5

CHANGE(s):

IRM 21.6.5.2(3) Added 2025 tax year MAGI phase out limits for IRA deductions. Removed 2020 tax year limits.

(3) If covered by a retirement plan at work, the taxpayer's deduction for contributions to a traditional IRA is reduced (phased out) if the modified adjusted gross income (MAGI) is:

Year	Married Filing Jointly or Qualifying Widow(er)	Single or Head of Household	Married Filing Separately
2025	More than \$126,000 but less than \$146,000	More than \$79,000 but less than \$89,000	Less than \$10,000
2024	More than \$123,000 but less than \$143,000	More than \$77,000 but less than \$87,000	Less than \$10,000
2023	More than \$116,000 but less than \$136,000	More than \$73,000 but less than \$83,000	Less than \$10,000
2022	More than \$109,000 but less than \$129,000	More than \$68,000 but less than \$78,000	Less than \$10,000
2021	More than \$105,000 but less than \$125,000	More than \$66,000 but less than \$76,000	Less than \$10,000

Note: Once the maximum phase out amount is reached, there is no deduction available as the deduction would be completely phased out.

IRM 21.6.5.3.1(2) Added 2025 tax year IRA deduction limits.

(2) See the table below for the maximum deductible contribution limits.

Year	Regular	If Age 50 Or Over
2024 - 2025	\$7,000	\$8,000
2023	\$6,500	\$7,500
2020 - 2022	\$6,000	\$7,000

For more information, refer to Pub 590-A, Contributions to Individual Retirement Arrangements (IRAs).

IRM 21.6.5.3.2(3) Added 2025 tax year spousal IRA deduction limits.

(3) See the table below for spousal contribution limits in the case of a married taxpayer filing a joint return.

Year	Regular Spouse	If Spouse Is Age 50 Or Over
2024 - 2025	\$7,000	\$8,000
2023	\$6,500	\$7,500
2020 - 2022	\$6,000	\$7,000

For more information, refer to Spousal IRA Limits in Pub 590-A, Contributions to Individual Retirement Arrangements (IRAs).

IRM 21.6.5.3.4(1) Added 2025 tax year SEP employer contribution limits. Removed 2020 tax year limits.

(1) A Simplified Employee Pension (SEP) is a simplified retirement plan under which an employer makes contributions for employees to traditional IRAs or Roth IRAs (SEP-IRAs).

- a. For tax year 2021 the annual limit on the amount of employer contributions to an employee's SEP-IRA is the smaller of \$58,000 or 25% of the employee's compensation.
- b. For tax year 2022 the annual limit on the amount of employer contributions to an employee's SEP-IRA is the smaller of \$61,000 or 25% of the employee's compensation.
- c. For tax year 2023 the annual limit on the amount of employer contributions to an employee's SEP-IRA is the smaller of \$66,000 or 25% of the employee's compensation.
- d. For tax year 2024 the annual limit on the amount of employer contributions to an employee's SEP-IRA is the smaller of \$69,000 or 25% of the employee's compensation.
- e. For tax year 2025 the annual limit on the amount of employer contributions to an employee's SEP-IRA is the smaller of \$70,000 or 25% of the employee's compensation.
- f. Special rules apply when computing the maximum deduction for a self-employed person.

- g. Special rules apply for participation, discrimination, distributions, and contributions for SEPs.

IRM 21.6.5.3.5(6) Added 2025 tax year SIMPLE IRA contribution limits. Removed 2020 tax year limits.

(6) Under a SIMPLE IRA Plan, an eligible employee may elect to have their employer make limited annual salary reduction contributions to their SIMPLE IRA. Refer to the table below for annual limits on contribution amounts.

Year	Salary Deferral Limit	If Age 50 Or Over
2025	\$16,500	\$20,000
2024	\$16,000	\$19,500
2023	\$15,500	\$19,000
2022	\$14,000	\$17,000
2021	\$13,500	\$16,500

IRM 21.6.5.4.6.1(1) Added 2025 tax year ROTH IRA contribution limits.

(1) A taxpayer must coordinate contribution limits for traditional IRAs and Roth IRAs. The maximum total yearly contribution that an individual can make to all individual IRAs is the lesser of the individual's taxable compensation for the year (this does not include rollovers), or the following amounts:

Year	Contribution Limit	If Age 50 Or Older
2024 - 2025	\$7,000	\$8,000
2023	\$6,500	\$7,500
2020 - 2022	\$6,000	\$7,000

A taxpayer's Roth IRA contributions may be limited by their modified adjusted gross income (MAGI). Refer to Pub 590-A, Contributions to Individual Retirement Arrangements (IRAs), for more information. Refer to Pub 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for information about foreign exclusions or deductions.

IRM 21.6.5.4.6.2(1) Added 2025 tax year MAGI phase out limits for ROTH IRA deductions. Removed 2020 tax year limits.

(1) The maximum yearly contribution that a taxpayer can make to a Roth IRA is phased out based on modified adjusted gross income (MAGI) and filing status as follows:

Year	Married Filing Joint or Qualifying Widow(er)	Married Filing Separately	Single, Head of Household, or All Others
2025	More than \$236,000 but less than \$246,000	\$10,000 or more	More than \$150,000 but less than \$165,000
2024	More than \$230,000 but less than \$240,000	\$10,000 or more	More than \$146,000 but less than \$161,000
2023	More than \$218,000 but less than \$228,000	\$10,000 or more	More than \$138,000 but less than \$153,000
2022	More than \$204,000 but less than \$214,000	\$10,000 or more	More than \$129,000 but less than \$144,000
2021	More than \$198,000 but less than \$208,000	\$10,000 or more	More than \$125,000 but less than \$140,000

Note: Once the maximum phase out amounts shown in the table are reached, the taxpayer will not be allowed to make a contribution to a Roth IRA.

Refer to Pub 590-A, Contributions to Individual Retirement Arrangements (IRAs), for more information.

IRM 21.6.5.4.7.2(1) Added 2025 tax year 529 plan contribution limits for gift tax.

(1) Certain colleges and universities may sponsor prepaid tuition programs under IRC 529. States may sponsor both prepaid and savings programs. Refer to Pub 970, Tax Benefits for Education, for more information.

Note: Federal gift tax regulations consider contributions to Qualified Tuition Programs (QTP) as gifts. Gift tax is owed (subject to the donor's lifetime applicable credit) on any contributions for the same child more than:

Tax Year	Per Donor	Per Donor Five-Year Period	Per Married Couple	Per Married Couple Five-Year Period
2025	\$19,000	\$95,000	\$38,000	\$190,000
2024	\$18,000	\$90,000	\$36,000	\$180,000
2023	\$17,000	\$85,000	\$34,000	\$170,000
2022	\$16,000	\$80,000	\$32,000	\$160,000
2020-2021	\$15,000	\$75,000	\$30,000	\$150,000

The five-year period is known as the five-year carry-forward option. Once a donor or a married couple contributes the five-year limit amount and elects the five-year carry-forward option on Form 709, United States Gift (and Generation - Skipping Transfer) Tax Return, they are not able to make another contribution (gift) for that child (without reporting gift tax) for five years.

IRM 21.6.5.4.8(5) Added 2025 tax year High Deductible Health Plan limits. Removed 2020 tax year limits.

(5) A high deductible health plan has the following limits for annual deductible with applicable cost-of-living adjustments:

Deductible and Out-of-Pocket Expenses for Tax Year 2025	Self-only Coverage	Family Coverage
Minimum Annual Deductible	\$1,650	\$3,300
Maximum Annual Deductible	\$4,300	\$8,550
Maximum Annual Out-of-Pocket Expenses	\$8,350	\$16,600

Deductible and Out-of-Pocket Expenses for Tax Year 2024	Self-only Coverage	Family Coverage
Minimum Annual Deductible	\$1,600	\$3,200
Maximum Annual Deductible	\$4,150	\$8,300
Maximum Annual Out-of-Pocket Expenses	\$8,050	\$16,100

Deductible and Out-of-Pocket Expenses for Tax Year 2023	Self-only Coverage	Family Coverage
Minimum Annual Deductible	\$2,650	\$5,300
Maximum Annual Deductible	\$3,950	\$7,900
Maximum Annual Out-of-Pocket Expenses	\$5,300	\$9,650

Deductible and Out-of-Pocket Expenses for Tax Year 2022	Self-only Coverage	Family Coverage
Minimum Annual Deductible	\$2,450	\$4,950
Maximum Annual Deductible	\$3,700	\$7,400
Maximum Annual Out-of-Pocket Expenses	\$4,950	\$9,050

Deductible and Out-of-Pocket Expenses for Tax Year 2021	Self-only Coverage	Family Coverage
Minimum Annual Deductible	\$2,400	\$4,800
Maximum Annual Deductible	\$3,600	\$7,150
Maximum Annual Out-of-Pocket Expenses	\$4,800	\$8,750

IRM 21.6.5.4.9.1(3) Added 2025 tax year High Deductible Health Plan limits. Removed 2020 tax year limits.

(3) The table below lists the annual deductibles and maximum out-of-pocket expenses, including deductibles, co-payments, and other amounts and not including premiums.

Tax Year	Annual Deductible for Self-only Coverage	Out-of-pocket Expenses for Self-only Coverage	Annual Deductible for Family Coverage	Out-of-pocket Expenses for Family Coverage
2025	\$1,650	\$8,350	\$3,300	\$16,600
2024	\$1,600	\$8,050	\$3,200	\$16,100
2023	\$1,500	\$7,500	\$3,000	\$15,000
2022	\$1,400	\$7,050	\$2,800	\$14,100
2021	\$1,400	\$7,000	\$2,800	\$14,000

IRM 21.6.5.4.9.2(4) Added 2025 tax year HSA contribution limits. Removed 2020 tax year limits.

(4) The maximum annual contributions for individuals (and their spouses covered under the high deductible health plan (HDHP)) age 55 and older at the end of the tax year, are as follows:

Tax Year	Annual Contribution for Self-only Coverage	Catch-up Contribution for Self-only Coverage	Annual Contribution for Family Coverage	Catch-up Contribution for Family Coverage
2025	\$4,300	\$1,000	\$8,550	\$1,000
2024	\$4,150	\$1,000	\$8,300	\$1,000
2023	\$3,850	\$1,000	\$7,750	\$1,000
2022	\$3,650	\$1,000	\$7,300	\$1,000
2021	\$3,600	\$1,000	\$7,200	\$1,000