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Advisor Article

**Traditional IRA Contribution Limits and  
Deductibility Guidelines**

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## Background Information

This article discusses rules and eligibility related to the original IRA. In this article, the original IRA (sometimes called an ordinary or regular IRA) is referred to as a “traditional IRA.” The following are two advantages of a traditional IRA:

1. You may be able to deduct some or all of your contributions to a traditional IRA from your taxable income for the year in which the contribution is made, depending on your circumstances.
2. In general, the assets in your IRA, including earnings and gains, are not taxed until they are distributed.

This article focuses on two distinct factors related to traditional IRAs: contribution eligibility and limits, and the rules related to tax-deduction of contributions.

## Traditional IRA Contribution Eligibility and Limits

### Who Can Contribute to a Traditional IRA?

- You can open and make contributions to a traditional IRA if you (or, if you file a joint return, your spouse) received taxable compensation during the year.
- You can have a traditional IRA whether or not you are covered by any other retirement plan.

If both you and your spouse have compensation, each of you can contribute to an IRA. If you file a joint return, only one of you needs to have compensation to allow both spouses to contribute to a traditional IRA.

You may not be able to deduct all of your contributions if you or your spouse is covered by an employer retirement plan. See “Traditional IRA Deduction Rules” later in this article.

### What Counts as Compensation for Purposes of IRA Contribution Eligibility

Included	Not included
Wages and Salary	Earnings and profits from property
Commissions	Interest and Dividend Income
Self-Employment Income	Pension or Annuity Income
Taxable alimony and separation maintenance	Deferred Compensation
Nontaxable combat pay	Income from certain partnerships
Taxable non-tuition fellowship and stipend payments	Any amounts you exclude from income

### Traditional IRA Contribution Limits

The maximum amount that can be contributed to a traditional IRA is generally the smaller of the following amounts.

1. The amounts shown in the table below

Year	Maximum Contribution (under Age 50)	Maximum Contribution (Age 50 and Older)
2024 and 2025	\$7,000	\$8,000
2026	\$7,500	\$8,600

**OR**

2. Your taxable compensation (as defined in the table above) for the year.

This is the most that can be contributed regardless of whether the contributions are to one or more traditional IRAs, or whether all or part of the contributions are nondeductible.

**Examples:**

- Brynley is a 34 year old single part-time teacher, who earned \$25,000 wages in 2025. Her IRA contributions for 2025 are limited to \$7,000 (the maximum for 2025).
- Brayden is a 25 year old single college student who works part time. He earned \$4,500 in wages in 2025. His IRA contributions for 2025 are limited to \$4,500, the amount of his compensation, since that is less than the \$7,000 maximum for 2025.
- Grayson is a 40 year old single engineer who earned \$65,000 in wages in 2025 and has two traditional IRAs. He can contribute a TOTAL of \$7,000 to his IRAs (not \$7,000 x 2 IRAs = \$14,000).

**Traditional IRA Tax Deduction Rules**

The key factors in deciding if your eligible traditional IRA contributions can be deducted from your taxable income are 1) whether you (or your spouse) is covered by a retirement plan at work, and 2) your income.

- No retirement plan at work: your deduction is allowed in full if you (and your spouse, if you are married) are not covered by a retirement plan at work, regardless of your income.
- Retirement plan at work: Your deduction may be limited if you (or your spouse, if you are married) are covered by a retirement plan at work and your income exceeds certain levels.

For 2026, if YOU are covered by a retirement plan at work:

IF your filing status is...	AND your modified AGI is...	THEN you can take...
<b>single or head of household</b>	\$81,000 or less	a full deduction.
	more than \$81,000 but less than \$91,000	a partial deduction.
	\$91,000 or more	no deduction.
<b>married filing jointly or qualifying surviving spouse</b>	\$129,000 or less	a full deduction.
	more than \$129,000 but less than \$149,000	a partial deduction.
	\$149,000 or more	no deduction.

For 2026, if YOU are NOT covered by a retirement plan at work:

IF your filing status is...	AND your modified AGI is...	THEN you can take...
<b>single, head of household, or qualifying surviving spouse</b>	any amount	a full deduction.

<b>married filing jointly or separately</b> with a spouse who is not covered by a plan at work	any amount	a full deduction.
<b>married filing jointly</b> with a spouse who is covered by a plan at work	\$236,000 or less	a full deduction.
	more than \$236,000 but less than \$246,000	a partial deduction.
	\$246,000 or more	no deduction.

## Summary

Understanding the different types of IRAs, the contribution limits which apply to IRAs, and whether (or not) the contributions are tax-deductible can be confusing. Contribution limits and tax deduction rules depend on your earning income, modified adjusted gross income (MAGI) and whether you (or your spouse) are covered by an employer retirement plan at work. Since the contribution limits and MAGI values defining deduction eligibility change frequently, it is a good idea to review these factors BEFORE making traditional IRA contributions – if you need help, consult with a tax professional or financial advisor.

## Resources

1. IRS Publication P590:  
[https://www.irs.gov/publications/p590a#en\\_US\\_2025\\_publink1000230447](https://www.irs.gov/publications/p590a#en_US_2025_publink1000230447)
2. <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits>.
3. <https://www.fidelity.com/learning-center/smart-money/ira-contribution-limits>.
4. <https://www.schwab.com/learn/story/must-ask-questions-ira-contributions>.

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