There still may be time to make an IRA contribution for *last* year

If you're getting ready to file your 2022 tax return, and your tax bill is higher than you'd like, there may still be an opportunity to lower it. If you're eligible, you can make a deductible contribution to a traditional IRA right up until this year's April 18 filing deadline and benefit from the tax savings on your 2022 return.

Rules for eligibility

You can make a deductible contribution to a traditional IRA if:

- You (and your spouse) aren't an active participant in an employer-sponsored retirement plan, or
- You (or your spouse) are an active participant in an employer plan, but your modified adjusted gross income (MAGI) doesn't exceed certain levels that vary from year-to-year by filing status.

For 2022, if you're a married joint tax return filer and you are covered by an employer plan, your deductible IRA contribution phases out over $109,000 to $129,000 of MAGI. If you're single or a head of household, the phaseout range is $68,000 to $78,000 for 2022. For married filing separately, the phaseout range is $0 to $10,000. For 2022, if you're not an active participant in an employer-sponsored retirement plan, but your spouse is, your deductible IRA contribution phases out with MAGI of between $204,000 and $214,000.

Deductible IRA contributions reduce your current tax bill, and earnings within the IRA are tax deferred. However, every dollar you take out is taxed in full (and subject to a 10% penalty before age 59½, unless one of several exceptions apply).

IRAs often are referred to as "traditional IRAs" to differentiate them from Roth IRAs. You also have until April 18 to make a Roth IRA contribution. But while contributions to a traditional IRA are deductible, contributions to a Roth IRA aren't. However, withdrawals from a Roth IRA are tax-free as long as the account has been open at least five years and you're age 59½ or older. (There are also income limits to contribute to a Roth IRA.)

Here's another IRA strategy that may help married couples save tax. You can make a deductible IRA contribution, even if you don't work. In general, you can't make a deductible traditional IRA contribution unless you have wages or other earned income. However, an exception applies if your spouse has earned income and you're a homemaker or not employed. In this case, you may be able to take advantage of a spousal IRA.

The contribution limit

For 2022 if you're eligible, you can make a deductible traditional IRA contribution of up to $6,000 ($7,000 if you're age 50 or older). For 2023, these amounts are increasing to $6,500 ($7,500 if you're 50 or older).

In addition, small business owners can set up and contribute to Simplified Employee Pension (SEP) plans up until the due date for their returns, including extensions. For 2022, the maximum contribution you can make to a SEP is $61,000 (increasing to $66,000 for 2023).