

ROTH IRA CONVERSIONS DO NOT COUNT FOR ROTH IRA CONTRIBUTION ELIGIBILITY

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*By Andy Ives, CFP®, AIF®
IRA Analyst*

If a person wants to make a Roth IRA contribution, there are two primary hurdles to get over. First, a person must have taxable compensation to make the contribution. Items like W-2 wages, commissions, professional fees or bonuses all qualify. Income from self-employment also qualifies. What does not qualify as “compensation” for IRA eligibility are things like pension and annuity income, rental income, interest income, dividend income or capital gains.

Assuming a person has taxable compensation, the next hurdle is to make sure their income level isn’t too high. Roth IRAs have income phaseout ranges. Individuals with income over the phaseout level are precluded from making a direct Roth IRA contribution. Those within the phaseout range can make a reduced Roth IRA contribution, and those below the phaseout range can make a full Roth IRA contribution. The 2026 Roth IRA phaseout ranges are \$242,000 – \$252,000 for those married filing jointly, and \$153,000 – \$168,000 for single or head-of-household filers. Note that these are modified adjusted gross income (MAGI) numbers. (For anyone married/filing separate – be careful! Your phaseout range is \$0 – \$10,000.)

Now that we know the basic requirements for Roth IRA eligibility, do Roth IRA conversions have any impact? After all, a Roth conversion is a taxable event that adds to a person’s income. Answer: Roth conversions are excluded from MAGI when considering the phaseout ranges. This is clearly stated in IRS Publication 590-A, “Contributions to Individual Retirement Arrangements (IRAs).”

On page 41 of the 2025 version of Publication 590-A, we find “Worksheet 2-1. Modified Adjusted Gross Income for Roth IRA Purposes.” This worksheet helps a taxpayer pinpoint exactly what their MAGI is so they can determine if they can proceed with a full Roth IRA contribution, a partial contribution, or none at all.

- Line 1 of the worksheet is for the tax filer’s adjusted gross income (line 11a, Form 1040).*
- Line 2 is for any income resulting from the conversion of an IRA to a Roth IRA.*
- Line 3 says to subtract Line 2 from Line 1.*

There are additional lines on the worksheet, but for this Slott Report™ entry we only need the first three to confirm the title of this article: Roth conversions do not count for Roth IRA contribution eligibility.

Example: Jim and Jane file a married/filing joint tax return. Jim and Jane's combined W-2 income in 2026 is \$200,000. Jim did a Roth conversion in January of 2026 for \$100,000. With \$300,000 of total income for the year, the couple thinks they are ineligible to make direct Roth IRA contributions. Jim and Jane have an astute financial advisor who tells them that Jim's Roth conversion does not count when considering Roth IRA eligibility. Since they are under the phaseout range, both Jim and Jane proceed with full Roth IRA contributions in 2026.

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