

WHAT IN THE WORLD IS MODIFIED ADJUSTED INCOME (MAGI), AND WHY DOES IT MATTER?

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Some of you may have come across the term “modified adjusted gross income” (MAGI) and figured it has something to do with “adjusted gross income” (AGI). But, unless you’re a tax geek, that may be all you know.

That’s a shame because when it comes to tax breaks, MAGI is a very important number. It determines eligibility for many federal income tax deductions and exclusions. In the IRA world, MAGI determines eligibility for deductible traditional IRA contributions and eligibility for annual Roth IRA contributions.

So, what exactly is MAGI? MAGI always starts with AGI. AGI is your total income subject to taxes. This includes things like wages, interest and dividends, capital gains, and retirement plan and IRA income. For most people, total income is exactly the same as AGI. But in some cases, total income must be adjusted before you get to AGI. (AGI can be found on line 11a of your Form 1040.)

Often, MAGI will be the same as AGI. But sometimes certain items must be added back, or can be subtracted from AGI to get to MAGI. What’s really confusing is that there isn’t one uniform definition of MAGI in the tax law. Instead, the specific required adjustments to AGI are completely different, depending on the specific tax rule using MAGI. In fact, there are over a dozen different versions of MAGI! (And none of those definitions are reported on your 1040.)

The version of MAGI used for IRA deductibility and for Roth IRA eligibility requires you to add several items to AGI, the most common of which is student loan interest. For Roth IRA eligibility only, you also get to subtract out income generated if you converted an IRA or a pre-tax retirement plan to a Roth IRA in the same year. [IRS Publication 590-A](#) includes helpful worksheets for IRA deductibility and Roth IRA eligibility.

Here’s one last point that trips up some people: On your tax return, you can reduce your AGI by either taking a flat dollar amount deduction (the standard deduction) or itemizing deductions. You can further reduce AGI by claiming other deductions, such as those under the One Big Beautiful Bill Act (OBBBA). Reducing AGI by these deductions produces your total taxable income – the amount you owe federal taxes on. But taxable income is a totally different calculation than any definition of MAGI. No matter which MAGI definition is used,

MAGI is always determined before the standard deduction or itemized deductions are taken. So, taxable income has nothing to do with any definition of MAGI.

Example: Zoe, age 45 and single, had a total income of \$150,000 in 2025. That year, Zoe made \$3,000 of health savings account (HSA) contributions directly to the HSA provider (rather than through payroll deduction). She can subtract that \$3,000 from total income, bringing her 2025 AGI down to \$147,000. Zoe wanted to make a 2025 Roth IRA contribution. The MAGI used for Roth IRA eligibility requires that certain tax items be added back to AGI, but Zoe didn't have any of those items. So, her MAGI was also \$147,000. For 2025, single taxpayers could make a full Roth IRA contribution if MAGI was below \$150,000. So, Zoe qualified for a full \$7,000 2025 contribution. Meanwhile, in doing her taxes, Zoe elected to use the standard deduction (\$15,000) to reduce her AGI from \$147,000 to \$132,000. That \$132,000 was her 2025 taxable income, the amount that she had to pay taxes on. But Zoe's MAGI of \$147,000, used to determine her Roth IRA eligibility, was determined before the \$15,000 standard deduction. So, her \$132,000 of taxable income had nothing to do with her MAGI of \$147,000.

Still confused? A knowledgeable financial advisor or tax professional can help.

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