

been repealed..

Both spouses have compensation.

If both you and your spouse have compensation, each of you can open an IRA. You can't both participate in the same IRA. If you file a joint return, only one of you needs to have compensation.

What Is Compensation?

Generally, compensation is what you earn from working. For a summary of what compensation does and doesn't include, see [Table 1-1](#). Compensation includes all of the items discussed next (even if you have more than one type).

Wages, salaries, etc.

Wages, salaries, tips, professional fees, bonuses, and other amounts you receive for providing personal services are compensation. The IRS treats as compensation any amount properly shown in box 1 (Wages, tips, other compensation) of Form W-2, Wage and Tax Statement, provided that amount is reduced by any amount properly shown in box 11 (Nonqualified plans). A scholarship or fellowship is generally taxable compensation only if it is in box 1 of your Form W-2. However, for tax years beginning after 2019, certain non-tuition fellowship and stipend payments not reported to you on Form W-2 are treated as taxable compensation for IRA purposes. These amounts include taxable non-tuition fellowship and stipend payments made to aid you in the pursuit of graduate or postdoctoral study and included in your gross income under the rules discussed in chapter 1 of Pub. 970, Tax Benefits for Education.

Commissions.

An amount you receive that is a percentage of profits or sales price is compensation.

Self-employment income.

If you are self-employed (a sole proprietor or a partner), compensation is the net earnings from your trade or business (provided your personal services are a material income-producing factor) reduced by the total of:

- The deduction for contributions made on your behalf to retirement plans, and
- The deduction allowed for the deductible part of your self-employment taxes.

Compensation includes earnings from self-employment even if they aren't subject to self-employment tax because of your religious beliefs.

Self-employment loss.

If you have a net loss from self-employment, don't subtract the loss from your salaries or wages when figuring your total compensation.

Alimony and separate maintenance.

For IRA purposes, compensation includes any taxable alimony and separate maintenance payments you receive under a decree of divorce or separate maintenance but only with respect to divorce or separation instruments executed on or before December 31, 2018, that have not been modified to exclude such amounts.

Nontaxable combat pay.

If you were a member of the U.S. Armed Forces, compensation includes any nontaxable combat pay you received. This amount should be reported in box 12 of your 2022 Form W-2 with code Q.

Graduate or postdoctoral study.

A scholarship or fellowship is generally taxable compensation only if it is in box 1 of your Form W-2. However, for tax years beginning after 2019, certain non-tuition fellowship and stipend payments not

reported to you on Form W-2 are treated as taxable compensation for IRA purposes. These amounts include taxable non-tuition fellowship and stipend payments made to aid you in the pursuit of graduate or postdoctoral study and included in your gross income under the rules discussed in chapter 1 of Pub. 970.

Table 1-1. Compensation for Purposes of an IRA

Includes...	Doesn't include...
	earnings and profits from property.
wages, salaries, etc.	
	interest and dividend income.
commissions.	
	pension or annuity income.
self-employment income.	
	deferred compensation.
taxable alimony and separate maintenance.	
	income from certain partnerships.
nontaxable combat pay.	
	any amounts you exclude

	from income.
taxable non-tuition fellowship and stipend payments.	

What Isn't Compensation?

Compensation doesn't include any of the following items.

- Earnings and profits from property, such as rental income, interest income, and dividend income.
- Pension or annuity income.
- Deferred compensation received (compensation payments postponed from a past year).
- Income from a partnership for which you don't provide services that are a material income-producing factor.
- Conservation Reserve Program (CRP) payments reported on Schedule SE (Form 1040), line 1b.
- Any amounts (other than combat pay) you exclude from income, such as foreign earned income and housing costs.

When Can a Traditional IRA Be Opened?

You can open a traditional IRA at any time. However, the time for making contributions for any year is limited. See [When Can Contributions Be Made](#), later.

How Can a Traditional IRA Be Opened?

You can open different kinds of IRAs with a variety of organizations.