

Tax Tip



March 11, 2010

Investment Management Fees for IRAs

An IRA owner is asked by the financial institution acting as the trustee for the IRA to choose whether to pay an annual maintenance fee separately from the annual IRA contribution or to have that fee debited against the IRA's value. Generally, it is more advantageous to an IRA owner to pay the fee separately since such fees can be deducted in addition to the deduction amount for IRA contributions.

A taxpayer may deduct fees and expenses associated with the maintenance of an IRA to the extent the fees and expenses are allowable as miscellaneous itemized deductions subject to 2% Adjusted Gross Income (AGI) limitations. When a taxpayer was billed separately for and paid trustees fees in connection with the management or investment advice of his IRA, those fees were deductible to the extent they were ordinary and necessary expenses rather than adding to the cost basis of the investments or indirect IRA contributions.

In addition, by paying the fees from funds outside of the IRA does not reduce the amount of investments that can grow tax-deferred within the IRA for the taxpayer's retirement.

If you have any questions please contact our Tax Services Group:

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