

## Recent Law Changes Affecting Traditional and Roth IRAs.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act became law. The CARES Act makes significant changes to the rules governing Traditional IRAs and Roth IRAs. The following changes have been made:

- The deadline to contribute to Traditional IRAs and Roth IRAs for 2019 has been delayed.
- Individuals may qualify to take distributions of up to a total of \$100,000 from their IRAs penalty-free if affected by the Coronavirus.
- Required minimum distributions (RMDs) for the 2020 calendar year for Traditional IRA owners who were age 70½ prior to 2020 have been waived.
- Required minimum distributions (RMDs) for the 2020 calendar year for beneficiaries taking single life expectancy payout distributions have been waived. For beneficiaries subject to the five-year rule, the 2020 calendar year will not count towards the five-year period, thereby giving the beneficiary six years to deplete the IRA.

**IMPORTANT!** Tax rules can be complicated. This brochure is intended to serve as a general overview. Before making any decisions, you should speak with a qualified tax advisor.

# IRA

## The CARES Act of 2020 Changes to the Traditional and Roth IRA Rules



# COVID-19 TAXPAYER RELIEF

Explaining the Changes of this  
2020 Law

The Coronavirus (or COVID-19) has brought much fear and uncertainty into our lives. In response, the IRS has delayed the federal income tax filing deadline and legislation was recently signed into law that brings economic relief to businesses and taxpayers during the pandemic. Included in the legislation are several provisions that affect IRAs.

## IRA Contribution Deadline

Regular and spousal IRA contributions for the previous tax year may be made to a new or existing Traditional IRA or Roth IRA up to the deadline for filing your federal income tax return (usually April 15 for most individuals). However, due to the COVID-19 pandemic, the IRS has moved the 2019 federal income tax filing deadline from April 15, 2020 to July 15, 2020. Therefore, the deadline for making 2019 Traditional IRA and Roth IRA contributions is also moved to July 15, 2020.



## Coronavirus-Related Distributions

You may take one or more distributions (up to \$100,000 in total) as coronavirus-related distributions, and those distributions would not be subject to the IRS 10% early distribution penalty. A coronavirus-related distribution is defined as any distribution made on or after January 1, 2020 and before December 31, 2020 by an individual who is diagnosed (or his or her spouse or dependent is diagnosed) with SARS-CoV-2 or COVID-19 using a CDC approved test, or an individual who experiences certain adverse financial consequences or other disadvantageous circumstances as determined by the Secretary of Treasury. You may elect to pay all the taxes on the distributions in the current tax year or include the distributions in income ratably over a three-year period. In addition, you could roll over the distributed amounts within a three-year period.

## Traditional IRA Lifetime RMDs

For Traditional IRA owners who turned age 70½ prior to 2020, required minimum distributions (RMDs) have been temporarily waived for the 2020 calendar year. This means you are not required to take an RMD for the 2020 calendar year. Also, individuals whose required beginning date was April 1, 2020 (i.e., IRA owners who reached age 70½ in 2019) but did not take their 2019 RMD prior to January 1, 2020 are not required to take their 2019 RMD.

## Beneficiary's Required Distributions

If you are a beneficiary who is taking single life expectancy payout distributions (also known as death RMDs), you are not required to take an RMD for the 2020 calendar year.

If you are a beneficiary who is subject to the five-year rule (you were required to deplete the IRA by the end of the fifth year following the year the IRA owner died), the 2020 calendar year will not count towards the five-year period thereby giving you a six-year period to deplete the funds in the inherited IRA.

*Learn from yesterday, live for today, hope for tomorrow.*

*Albert Einstein*