



CLIENT NOTICE

INDIVIDUAL RETIREMENT ACCOUNT (IRA) CHANGES TO AID BUSINESSES AND INDIVIDUALS AS A RESULT OF THE COVID-19 (CORONAVIRUS) PANDEMIC

On Friday, March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security (CARES) Act (the Act) into law. The Act's primary purpose is to provide aid to businesses and individuals that may be affected by the coronavirus (COVID-19) pandemic. There are several provisions within the Act that affect IRAs.

An individual may take up to \$100,000 as a coronavirus-related distribution, and that distribution 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 adverse financial consequences or other disadvantageous circumstances as determined by the Secretary of Treasury. The individual may elect to pay all the taxes on the distribution in the current tax year or include the distribution in income ratably over a three-year period. In addition, the individual could roll over the distributed amount within a three-year period.

The Act also temporarily waives required minimum distributions (RMDs) for the 2020 calendar year. This means individuals, including beneficiaries taking single life expectancy payout distributions, are not required to take an RMD for the 2020 calendar year. Also, individuals whose required beginning date is April 1, 2020 (i.e., IRA owners who reached age 70 ½ in 2019) but did not take a distribution prior to January 1, 2020 are also waived from taking the 2019 RMD. For beneficiaries that chose the five-year payout, the Act states that the 2020 calendar year will not count towards the five-year period thereby giving the beneficiary a six-year period to deplete the funds in the inherited IRA.

The Act, however, did not provide any guidance for individuals who may have already taken their RMD for the 2020 tax year and now wish to put the funds back in their IRA account. It is feasible that the IRA owner may be eligible to put the funds back into an IRA account as a rollover, providing the IRA owner rolls over the distributed RMD funds within 60-days of receiving the distribution, and the IRA owner has not completed a rollover within the past 365 days.

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