



CARES Act Creates New Required Minimum Distribution Rules for 2020

Wouldn't you know that a law that was just enacted on December 20, 2019 has just been modified for 2020 only by the CARES (Coronavirus Aid, Relief, and Economic Security) Act. While most of the CARES Act is devoted to providing economic stimulus to businesses hurt financially by COVID-19 virus, a few of the provisions provide relief to individuals getting hurt financially in their retirement accounts. Following are the highlights of the changes affecting RMDs for 2020:

Description	Comments
Extended deadline to make IRA contribution to July 15, 2020	<ul style="list-style-type: none"> Normally IRA contributions must be made by April 15 even when a taxpayer files an extension. However, the deadline for making a 2019 IRA contribution has been extended to July 15, 2020. Make sure custodian does not confuse the contribution as a 2020 contribution.
RMDs waived for 2020	<ul style="list-style-type: none"> Individuals do not need to take 2020 RMDs. Individuals who have already taken RMDs may be able to undo if they are eligible for 60-day rollover (must be within 60 days of receipt and can only do one rollover within the past 365 days). Only spouse can undo RMD from an inherited IRA.
RMD for individuals who turned 70 ½ in 2019 who elected to delay first distribution to April 1, 2020	<ul style="list-style-type: none"> Such individuals usually need to take both their 1st RMD by April 1 and the 2nd RMD by December 31, 2020, but for 2020 both RMDs are waived.
Beneficiaries subject to the 5-year distribution rule	<ul style="list-style-type: none"> Beneficiaries who inherited from an IRA owner who are subject to the 5-year RMD rule now have 6 years.
10% penalty for distributions pre 59½ up to \$100,000 waived for COVID-19 affected individuals	<ul style="list-style-type: none"> Income tax is still due, but can be paid evenly over 3-years. Withdrawn funds can be repaid over the same 3-years.
Plan loan relief for employer plans for COVID-19 affected individuals	<ul style="list-style-type: none"> For affected individuals, the maximum loan is increased from \$50,000 to \$100,000. Loans must be taken within 180 days of enactment. Loan repayments due December 31, 2020 are suspended for one year.

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