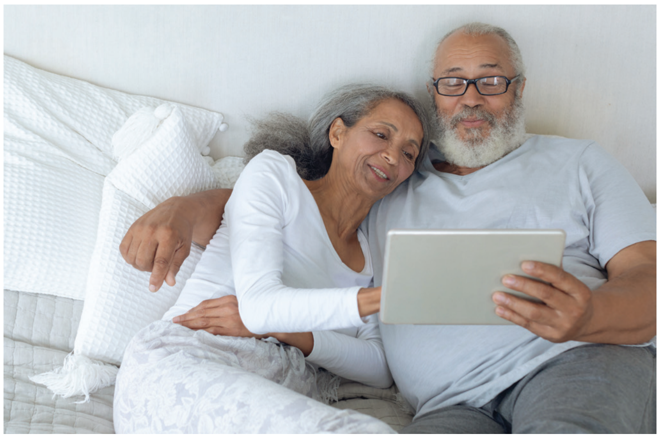
April 2020

TaxBrief

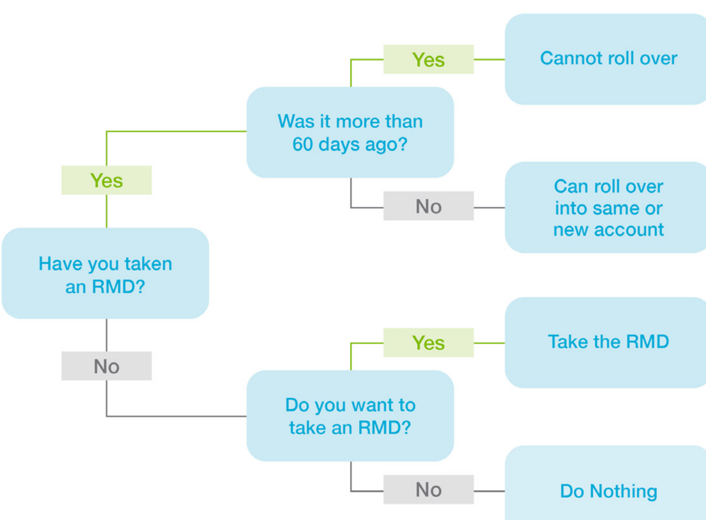


Retirement Accounts

In general, retirement plan account owners must withdraw required minimum distributions (RMDs) annually starting with the year they reach 72 (70½ if you reach 70½ before January 1, 2020). The CARES Act suspends RMDs for 2020. What does this mean? If you haven't already taken your RMD for the year, you don't have to. If you have, you may be able to roll the distribution back into your retirement account. The one-year suspension of the RMD extends to inherited IRAs where the five-year rule applies. The flow-chart below can help you determine what you can do.

Because you can only make one rollover per year, be sure to combine all distributions into one rollover.

What about 2021? Do you have to take a double RMD? No. 2020 is considered a skip year, and there's no requirement that you make up the distribution in a later year.



As you decide what to do, consider the following:

- Do you need the income this year?
- Will this affect your tax bracket?
- How will this affect your estate plan?

If you have any questions, or need help evaluating your options, please call my office. I can help you decide what's best for you and your family.

Penalty-Free Distributions

The CARES Act allows for a penalty-free distribution of up to $100,000 from your retirement plan or IRA. In order to qualify, you must:

- Be diagnosed with coronavirus
- Have a spouse or dependent who is diagnosed with coronavirus
- Have an adverse financial consequence due to virus-related events (i.e., be quarantined, be furloughed or laid-off, have hours reduced, be unable to use childcare).

Keep in mind, that these are still taxable. This is just an exception to the additional tax related to the distribution. However, the tax itself can be spread out over three years. For example, if you take a distribution of $75,000 to cover COVID-related expenses, you can spread the tax out until 2022. Or, you can elect to pay all the tax in 2020.

Alternatively, you can repay the distribution and avoid paying the income tax altogether. You can recontribute the amount in one or more payments. The rollover limitation does not apply in this case.

Plan Loans

The CARES Act also increases the amount you can take as a plan loan from your 401(k). In prior years, you were able to take up to $50,000 or half the amount of your 401(k). In 2020, you can take a loan against your qualified plan up to $100,000 or the vested balance of the plan. In order to qualify, you must:

- Be diagnosed with coronavirus
- Have a spouse or dependent who is diagnosed with coronavirus
- Have an adverse financial consequence due to virus-related events (i.e., be quarantined, be furloughed or laid-off, have hours reduced, be unable to use childcare).

These loans are available until Sept. 22, 2020. Each plan has rules regarding these types of loans. Speak with your administrator to see if you qualify. If you already have a plan loan, you do not have to make any payments on that loan through Dec. 31, 2020.