

Key IRA Impacts of the 2020 CARES ACT

CARES Act | 2020

On March 27, 2020, the Coronavirus, Aid, Relief and Economic Security (CARES) Act was signed into law and as a result, there are some key impacts to Individual Retirement Accounts (IRAs) in 2020.

Below is a summary of the most notable Individual Retirement Account (IRA) changes:

Penalty Free Distributions from IRAs and Certain Retirement Plans

Coronavirus-related distributions

- Qualified individuals of any age can take up to \$100,000
- Taken on/after 1/1/2020 and by 12/31/2020
- Exempt from the 10% additional tax for early or pre-59 ½ distribution under Internal Revenue Code 72(t)
- Not subject to the 20% withholding requirements for qualified retirement plans

A qualified individual is one who:

- Is diagnosed or whose spouse or dependent is diagnosed with the virus SARS-CoV-2 or coronavirus disease (COVID-19) by a test approved by the Centers for Disease Control and Prevention
- Or they experience adverse financial consequences due to one or more of the following factors:
 - Being quarantined
 - Furloughed
 - Laid off
 - Having work hours reduced
 - Unable to work due to lack of child care due to SARS-CoV-2 or COVID-19
 - Closing or reduced hours of a business owned or operated by the individual due to COVID-19
 - Other factors as determined by the Treasury Secretary

Additional Provisions:

- Option to ratably spread the taxable income over a three-year period
- Repay any or all of the distribution to a retirement account over the next three years.
- Repayments not subject to retirement plan or IRA contribution limits.

Investment and Insurance Products Are:

**Not Insured by the FDIC or Any
Federal Government Agency**

**Not a Deposit or Other Obligation
of, or Guaranteed by, the Bank or
Any Bank Affiliate**

**Subject to Investment Risks, Including
Possible Loss of the Principal Amount
Invested**

Temporary Waiver of Required Minimum Distribution (RMDs) Rules (Section 2203) for Defined Contribution Plans, including 401(k), 403(b), 457(b), as well as IRAs

RMDs are waived for calendar year 2020 for the following:

- IRA owners and plan participants who turned 70½ prior to 2019 and during 2019
 - 2019 RMDs not taken in 2019 with a required beginning date of April 1, 2020 are waived
 - 2020 RMDs due by 12/31/2020 are waived
- Beneficiaries of Inherited IRAs and retirement plans
 - Beneficiary owners of Inherited IRAs or retirement plans receiving RMDs or life expectancy payments
 - The 5 year rule is extended by one year
- IRA owners that turn 70 ½ in 2020 are unaffected by this change. Their RMD will begin at age 72
- Due to IRS Notice 2020-51, an RMD that has already been taken in 2020 may be rolled back into the IRA. The following summarizes IRS Notice 2020-51:
 - Any RMD taken on or after January 1, 2020 may be rolled over by August 31, 2020.
 - This repayment is not subject to the one rollover per 365 day period.
 - For example- monthly RMDs can now all be rolled back into an IRA by 8/31/20
 - Beneficiaries who took an RMD from their Inherited IRA are allowed to roll those distributions back by 8/31/20.
 - QRPs can only accept a rollover if the plan documents were amended for the CARES Act but a QRP distribution can be rolled into an IRA.
 - Please note the assets rolled back into the IRA must be the same assets distributed from the original IRA. So, if cash is distributed, cash must be rolled over; if securities are distributed, the same securities must be returned.

Any Questions?
Call (949) 862-1233



IRS Notice 2020-18

On March 20, the Treasury Department moved the tax filing deadline from April 15th to July 15th.

- **The deadline for 2019 Traditional IRA, Roth IRA, and Education Savings Account (ESA) contributions is now July 15, 2020**

Stay up to date

At Wells Fargo Advisors, we know that the CARES Act may leave you with questions. We welcome the opportunity to work with you and your legal and tax professionals to determine how these changes impact your retirement and estate planning goals.

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