

Notification of Changes to IRAs for 2020 (April 2020)

Contributions

Contribution Funding Deadline. Contributions to a Traditional IRA or Roth IRA for the previous tax year must be made by the tax-filing deadline (not including extensions) for filing your federal income tax return. If you are a calendar-year taxpayer, your deadline is usually April 15. However, the Treasury Department and Internal Revenue Service have 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.

Tax Treatment of Distributions

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 if you were diagnosed (or your spouse or dependent is diagnosed) with SARS-CoV-2 or COVID-19 using a CDC approved test, or if you experienced 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 your income ratably over a three-year period. In addition, you may roll over the distributed amounts within three years from when you received the coronavirus-related distributions.

Required Distributions

Temporary RMD Waiver for Traditional, SEP and SIMPLE IRA Owners. If you are an IRA owner who turned age 70½ prior to 2020, a required minimum distribution (RMD) was to be made for 2020 by December 31, 2020. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law. The CARES Act temporarily waives RMDs for the 2020 calendar year. This means you are not required to take an RMD for the 2020 calendar year. Also, if your required beginning date was April 1, 2020 (i.e., if you are an IRA owner who reached age 70½ in 2019) but did not take a distribution prior to January 1, 2020, you are also waived from taking the 2019 RMD.

Temporary RMD Waiver for Traditional and Roth IRA Beneficiaries. The CARES Act temporarily waives RMDs for beneficiaries for the 2020 calendar year. If you are a beneficiary who is taking single life expectancy payout distributions, you are not required to take an RMD for the 2020 calendar year. If you are a beneficiary who is subject to a five-year payout, the CARES Act states that 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.