

THE CARES ACT

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted.

WAIVER OF 2020 RMD REQUIREMENTS

In addition to providing increased access to retirement savings, the new law waives all required minimum distributions (RMDs) for 2020. Under normal circumstances, federal laws typically require individuals of a certain age (historically age 70½ but recently changed to age 72) to take mandatory distributions from their retirement savings. Under the CARES Act, these mandatory distribution requirements are waived for 2020.

Individuals Already in Distribution Status

For individuals who were already in required distribution status (generally, those who turned 70½ prior to 2019), the law waives the mandatory distribution requirement for 2020.

Individuals Just Beginning RMDs

For individuals who reached age 70½ during 2019 and were required to take their first RMDs by no later than April 1, 2020, the law waives the mandatory distribution requirement for 2020 and, in some cases, the 2019 mandatory distribution as well. Only individuals who did not take their 2019 RMDs during 2019, however, are eligible for a waiver of the 2019 RMD.

RMD Relief Also Available for Beneficiaries

In addition to providing RMD relief for plan participants and IRA owners, the law provides temporary relief from the required distribution rules that apply to beneficiaries of deceased plan participants and IRA owners.

For beneficiaries, the form of relief varies depending on (1) when the plan participant or IRA owner passed away and (2) the beneficiary distribution option to which the beneficiary is subject. The 2020 RMD is waived for beneficiaries taking some form of life expectancy distributions. For beneficiaries subject to the 5-Year Rule, the 2020 calendar year is to be excluded when determining the applicable 5-year distribution timeframe.

Although the mandatory distribution requirements have been waived for 2020, individuals still have the option of taking distributions at their discretion. The law change merely provides IRA owners, plan participants and certain beneficiaries with the option of foregoing all or part of the required distribution amount if they wish to do so. Individuals who have already taken mandatory distributions during 2020 but would have preferred to leave the amounts in their IRAs or workplace retirement plans may wish to consult with a tax advisor to determine if some or all of their distributions may qualify either for conventional rollover treatment or for repayment treatment as a Coronavirus-Related Distribution.

POSTPONED TAX FILING DEADLINE

Another recent relief provision, while not part of the CARES Act, is a federal pronouncement postponing the tax filing deadline from April 15, 2020, to July 15, 2020. Due to this postponement, taxpayers are now eligible to make IRA, HSA contributions for the 2019 tax year up until July 15, 2020.