

# How COVID-19 Relief Measures Could Impact Your IRA

When the CARES Act was signed into law on March 27, 2020, it included emergency economic assistance to those affected by the COVID-19 pandemic. In an effort to alleviate the financial instability of many Americans during this time, the CARES Act makes a number of changes to the “normal” rules governing your IRA. In addition, the IRS has extended various tax filing and other deadlines in recent weeks, a number of which may impact your IRA. These relief measures are summarized below.

## Required Minimum Distribution Relief

The CARES Act includes a temporary waiver of required minimum distributions (RMD) for certain defined contribution plans and IRAs in 2020. Normally, failure to take an RMD in a given year results in a 50 percent penalty, but the CARES Act waives this penalty for someone who:

- Has a recurring RMD due in 2020;
- Has an initial RMD due by April 1, 2020, because he or she turned age 70½ in 2019; or
- Is a beneficiary of an inherited account (traditional or Roth), who may be receiving the inherited account over a number of years or over his or her life expectancy.

Importantly, this means that if you turned age 70½ in 2019, you can opt not to take *both* your 2019 RMD (which was due to be taken by April 1, 2020) *and* your 2020 RMD (which would be due to be taken by December 31, 2020).

The 2020 RMD waiver under the CARES Act is intended to prevent liquidation of IRA assets to fund an RMD at a time when selling assets may not make fiscal sense given the recent downturn in the stock market. In addition, the CARES Act prevents someone from being taxed on an RMD based on the December 31, 2019, account value, which may be disproportionately large, and allows for deferral of additional income taxes this year.

## Extension of 60-Day Rollover Deadline

On April 9, 2020, the IRS issued Notice 2020-23, which extends several taxpayer

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and IRS deadlines. One of those is the 60-day rollover deadline, which generally allows you to redeposit an RMD (or another distribution) into an IRA or another retirement account in an indirect rollover. Under normal rules, the indirect rollover must be performed within 60 days of the distribution. However, IRS Notice 2020-23 extends this deadline to July 15, 2020, if the deadline would otherwise fall between April 1, 2020 and July 14, 2020. Therefore, if you took an RMD in February or later of this year, you may be able to take advantage of the extended rollover deadline and redeposit the RMD that no longer needs to be withdrawn in light of the CARES Act.

For those individuals who already took their 2020 RMD, the following rules apply:

- If you turned age 70½ in 2019 and took your initial RMD in 2019, the CARES Act does not provide any retroactive relief (i.e., you are “stuck” having taken the RMD last year).
- If you took your 2020 RMD (either an initial RMD or a recurring RMD) between January 1, 2020 and January 31, 2020, neither the CARES Act nor IRS Notice 2020-23 provides any relief because your 60-day rollover deadline occurred prior to April 1, 2020.
- If you took your 2020 RMD (either an initial RMD or a recurring RMD) after January 31, 2020, and if your 60-day rollover deadline would otherwise be between April 1, 2020 and July 14, 2020, your 60-day rollover deadline has been extended to July 15, 2020. Of course, there may be other limitations on your ability to make a rollover (for example, you only make one IRA-to-IRA rollover in a 12-month period and indirect rollovers are not available to non-spouse beneficiaries of inherited IRAs). If you think you may qualify for this treatment, you should contact your Reinhart attorney or a member of Reinhart’s [Trusts and Estates Team](#) as soon as possible to discuss this further.

## **Extended Deadline for IRA Contributions**

In addition to the RMD relief described above, IRS Notice 2020-18 extends the time in which individuals can contribute to an IRA. Typically, contributions for the previous tax year must be made by the April 15 income tax filing deadline. However, Notice 2020-18 extends the 2019 contribution deadline to July 15, 2020, to match this year’s extended income tax filing deadline. As a reminder, the 2019 contribution limitation for traditional and Roth IRAs is \$6,000 (with additional permissible “catch-up” contributions for people age 50 or older, up to \$1,000). Most salary-deferral retirement accounts and 401(k) plans have much larger



contribution limitations, but the tax deduction only applies for 2019 if the funds were contributed by December 31, 2019.

### **Coronavirus Related Distributions**

Finally, the CARES Act authorizes penalty-free early withdrawals and increased loans from retirement accounts for certain individuals impacted by the coronavirus.

If you would like more information regarding the relief measures summarized in this article, now is the time to contact your Reinhart attorney or a member of the firm's [Trusts and Estates Team](#).

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