

## Key topics to understand regarding the CARES act

### **Postponed IRA contributions deadline:**

The Treasury Department has extended the due date for making IRA contributions. Individuals now have until July 15<sup>th</sup> to make IRA contributions for 2019. This coincides with the tax return filing date for federal and many other returns.

### **RMD's are waived in 2020 for most retirement accounts:**

Required minimum distributions (RMDs) have been waived in 2020 for both employer plans and IRAs. This means, individuals who turned 70 ½ in 2019, but did not make the initial distribution by January 1<sup>st</sup> 2020, do not have to take these. This also includes inherited IRA accounts. There is possibility to put back the distribution if you have already taken it out within the last 60 days. There is a 60-day rollover arrangement, that allows you to put the distribution that you paid, back into an IRA.

### **Waiver of Early Withdrawal Penalty for Eligible Corona Virus Distributions:**

Certain individuals may be eligible to take an early withdrawal from their retirement accounts, including IRAs, without the 10% early withdrawal penalty. Under the CARES act, you can take up to \$100,000 of qualified retirement withdrawals and not be subject to the 10% early withdrawal penalty. *Be aware, you will still pay income tax on the distribution.* This tax can be paid over three years. There is also the option to recontribute the funds back into a retirement account within three years without a contribution limit. But, although this is an option, check with your plan administrator to confirm if your plan allows these elections.

Be sure you qualify for this before you enact this, there are numerous requirements.

### **Payouts from Covid-19 Recovery Plan:**

All individuals who are U.S. citizens, not claimed as a dependent, and have adjusted gross income (AGI) of up to \$75,000 (\$150,000 for MFJ) are eligible for a payment.

The amount is \$1,200 (\$2,400 married) along with an additional \$500 for each dependent under the age of 17. The amount of the credit will lessen by 5% of the taxpayer's 2020 AGI in excess. The full phaseout would be \$99,000 (\$198,000). There is not a minimum income requirement in order to obtain these credits, as long as the individual meets the eligible criteria. Taxpayers are encouraged to file 2018 and 2019 tax returns, if they have not done so, in order to help accelerate the process.