IMPORTANT INFORMATION REGARDING YOUR INDIVIDUAL RETIREMENT ACCOUNT

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Several regulatory changes have taken place in the past few years have impacted retirement accounts. Our office has been following the changes and communicating when applicable. Please find a summary below and reach out to your tax advisor if you need to discuss it in more detail.

SECURE Act – Setting Every Community Up for Retirement Enhancement Act of 2019

Repeal of maximum age for traditional IRA contributions

- Individuals will be able to make contributions to their IRA even after attaining the age of 70 ½ (now 73), as long as income is earned.
- Effective for taxable years beginning after December 31, 2019

Increase in age for required beginning date for mandatory distributions

- The required beginning date for mandatory distributions has been amended from age 70 ½ to age 73.
- This only applies to persons turning 70 ½ after December 31, 2019. Anyone who turned 70 ½ prior must begin taking, and continue to take, distributions under pre-SECURE Act rules.

Modification of required distribution rules for designated beneficiaries

- Upon the death of an IRA account owner, distributions of the entire account balance to anyone other than an "eligible designated beneficiary" must be made within 10 years of the account owner's death.
- An eligible designated beneficiary includes the surviving spouse, a child of the IRA account owner who has not yet reached the age of majority (age 21 as defined in IRS regulations), a disabled individual, a chronically ill individual, or an individual who is not more than 10 years younger than the decedent.
- This change eliminates the ability to have "stretch IRAs" by limiting the distribution period for certain beneficiaries.
- Effective for distributions on behalf of IRA account owners who die after December 31, 2019

Penalty-free withdrawals from retirement plans for individuals in case of birth of child or adoption

- Distributions from a retirement plan, in the case of a qualified birth or adoption, are exempt from the 10% early withdrawal penalty.
- The child must be under 18 years of age, the distribution must be made within the 1-year period after the birth or adoption date of the child, and the distribution exception is capped at $5,000 per child, per parent.
- These funds may be repaid to the plan by a rollover, and the repayment would be treated as a nontaxable direct rollover (reported as a "repayment").
- Effective for distributions made after December 31, 2019

Tax-exempt "difficulty of care payments", a type of qualified foster care payment to individual care providers under a state Medicaid Home and Community-Based Services waiver program (Medicaid Waiver payments), may be treated as compensation for purposes of making an IRA contribution.

For tax years beginning after December 31, 2019, certain taxable non-tuition fellowship and stipend payments are treated as compensation for the purpose of IRA contributions. Compensation will include any amount included in gross income and paid to aid in pursuit of graduate or postdoctoral study.

CARES Act – Coronavirus Aid, Relief, and Economic Security Act of 2020

The CARES Act provided assistance to the American people from the public health and economic impact of COVID-19. The provisions under the CARES Act were mostly available during 2020, but the highlights are listed here:

- Coronavirus-related distributions - a coronavirus-related distribution (CRD) is a distribution made on or after January 1, 2020 and before December 30, 2020 to a qualified individual from an IRA, qualified plan, 403(b), or governmental 457(b) of up to $100,000 in the aggregate for any taxable year. A CRD was directly repaid (i.e., rolled over) to any IRA or other eligible plan that accepts rollovers ratably within 3 years. Amounts not repaid could be taxed over a 3-year period.
- The CARES Act provides for 2 special coronavirus-related loan conditions to qualified individuals: 1) increases the amount that can be borrowed; and 2) extends the time to repay an existing loan. Loans are not permitted from individual retirement accounts, however.

Waiver of Required Minimum Distribution (RMD)

All Required Minimum Distributions were waived for the calendar year 2020, including for a participant whose required beginning date is in 2020 (e.g. Initial year 2019 RMDs due by April 1, 2020). This also applied to beneficiaries required to take RMDs from inherited IRAs.

The 2020 RMD waiver applied to all IRA owners, not only to qualified individuals affected by COVID-19.

RMDs taken at any point during 2020 could have been rolled back into an eligible plan. IRS notice 2020-51 provided an extension to roll back any RMD taken on or after January 1, 2020 by August 31, 2020 without regard to the 60-day deadline that applies to IRA to IRA rollovers, or the one rollover in a 12-month period restriction. RMD amounts that were received after August 31st were still eligible for rollover, but were subject to the normal rollover restrictions.

Qualified Charitable Distributions are not affected by the CARES Act. As it relates to the change in RMD age under the SECURE Act mentioned previously, an IRA owner or beneficiary who was age 70½ could still request a QCD even if they did not have a 2020 RMD. Those individuals continue to remain QCD eligible despite the increase in RMD age to 72. See Appendix D in IRS Publication 590-B to determine the correct amount of the QCD.

IRA & Roth IRA Contribution Limits - Cost of Living Adjustments (COLAs)

	2022	**2023**
Traditional IRA regular contribution limit	$6,000	$6,500
Age 50 catch-up limit for traditional IRAs	$1,000	$1,000
AGI phase-out ranges for determining traditional IRA deductions for active participants:		
Unmarried taxpayers	$68,000 - $78,000	$73,000 - $83,000
Married taxpayers filing joint returns	$109,000 - $129,000	$116,000 - $136,000
Married taxpayers filing separate returns	$0 - $10,000	$0 - $10,000
Non-active participant spouse	$204,000 - $214,000	$218,000 - $228,000
Roth IRA regular contribution limit	$6,000	$6,500
Age 50 catch-up limit for traditional and Roth IRAs	$1,000	$1,000
AGI phase-out ranges for determining Roth IRA regular contributions:		
Unmarried taxpayers	$129,000 - $144,000	$138,000 - $153,000
Married taxpayers filing joint returns	$204,000 - $214,000	$218,000 - $228,000
Married taxpayers filing separate returns	$0 - $10,000	$0 - $10,000