# Recent Legislative Action Affecting IRA Plans

## Setting Every Community Up for Retirement Enhancement Act of 2019

Setting Every Community Up for Retirement Enhancement Act of 2019" (SECURE Act), was enacted on December 2, 2019 and includes a number of retirement savings provisions.

- **Required Minimum Distribution (RMD) age has increased to age 72.** This change affects any individual who turns 70 ½ in 2020. Members with a birthdate of 7/1/1949 or later must now start to take their RMD in 2021 or the year they turn 72.[1]

Additional provisions included in the SECURE Act

- **New Exception from the 10% Early Withdrawal or Distribution Penalty of Pre-Tax IRA for Qualified Birth or Adoption Distribution** (for members who are under 59½ Normal Distribution age): A Qualified Birth or Adoption Distribution must be taken after the birth of a child and within 12-months of the date on which the child of the IRA owner is born or the legal adoption becomes finalized. (Adoptee must be under age 18 or is incapable of self-support from physical or mental incapacity.) Maximum amount allowed is $5,000 per individual per birth or adoption and can be repaid to the IRA by a rollover in the future.[1]

- **IRA Contributions with Fellowship and Stipend Payments:** Taxable non-tuition Stipend and fellowship payments to graduate and postdoctoral students can now be treated as compensation for IRA purposes.[1]

- **Inherited (Beneficiary) IRA distribution rule change:** For IRA owners who pass away after 01/01/2020, Beneficiaries MAY be required to complete distributions within 10 years from the year of death. Exceptions to the new rule include surviving spouse, minor children (once the minor child reaches age of majority, the 10-year distribution rule will apply), disabled individuals (as defined in Internal Revenue Code §72(m)(7)), chronically ill individuals (as defined in Internal Revenue Code §7702B(c)(2)), and beneficiaries who are up to ten years younger than the IRA owner[1]

## Coronavirus, Aid, Relief, and Economic Security Act

The Coronavirus, Aid, Relief, and Economic Security Act, or "CARES Act", is the largest portion of the U.S. government's response to the coronavirus. This legislation includes several provisions that affect IRA plans.[1]

- **I. Temporary Waiver of 2020 Required Minimum Distributions**
  The CARES Act provides relief by allowing IRA owners to waive receiving RMDs in 2020. This waiver also applies to participants who attained age 70½ in 2019 but had not yet received their 2019 RMD by their April 1, 2020 Required Beginning Date.[1]

- **II. Penalty-Free Coronavirus-Related Distributions from Eligible Retirement Plans**
  The CARES Act permits participants in eligible retirement plans including IRAs to receive Coronavirus-Related Distributions ("CRDs") up to $100,000 between January 1,2020 and December 30, 2020 without incurring the IRS's 10 percent early distribution penalty tax that would otherwise generally apply to payments made prior to attaining age 59½. A CRD can only be made to a "qualified individual," defined as an individual (or spouse or dependent of the individual) who

  (i) is diagnosed with COVID-19 or SARS-CoV-2 by a test approved by the Centers for Disease Control and Prevention; or

  (ii) has experienced adverse financial consequences as a result of being quarantined, furloughed or laid off or having a reduction in work hours due to the virus/disease, or is unable to work due to lack of childcare on account of COVID-19, or other factors as determined by the Treasury Secretary.

CRD distributions would need to be made between January 1 and December 30, 2020.[1]

***Q.*** *What certification of eligibility do need to be obtain when requesting a CRD?*
***A.*** *None at this time. St Mary's Credit Union's IRA Department may rely on an IRA Owner's certification that they have satisfied the conditions of the CARES Act in determining whether any distribution is a coronavirus-related distribution. It is not known at this time whether additonalr documentation will be required.*

- **III. Repayment of Coronavirus-Related Distributions**
  The CARES Act allows participants to repay a CRD to an eligible retirement plan (including an IRA) during a three-year repayment period. IRA Owner may repay these amounts to any eligible retirement plan or IRA in which they are a participant and to which a rollover contribution of such distribution can be made. CRDs that are repaid within the three-year period will be treated as having satisfied the general 60-day rollover requirement.[1]

- **IV. Income Inclusion Over Three Years for Coronavirus-Related Distributions**
  Under the CARES Act, CRDs will be included in a qualified individual's taxable income over a three-year period, unless the individual elects otherwise.[1]

[1]Subject to conditions. Consult a tax advisor.