



IRA Disclosure Supplement

CARES Act and Other Coronavirus-Related Pronouncements

This IRA Disclosure Supplement is being provided to notify you of recent changes made by the CARES Act and other IRS pronouncements that are not yet reflected in your IRA Plan Agreement and Disclosure Statement. We encourage you seek the assistance of a competent tax and/or legal professional if you have questions or concerns about how you may be affected by the CARES Act, and other IRS pronouncements.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The CARES Act is a massive federal stimulus package designed by Congress to provide aid and assistance to individuals and businesses as the country deals with the coronavirus pandemic. Included in the CARES Act are several provisions that directly impact many IRA owners and IRA beneficiaries. Most of the IRA provisions contained within the CARES Act are effective immediately. In addition to the CARES Act, the Secretary of the Treasury has also recently made changes due to the coronavirus pandemic that directly impact many IRA owners and IRA beneficiaries.

Temporary Waiver of Required Minimum Distributions (RMDs) for IRA Owners and Beneficiaries

The CARES Act provides relief from the RMD rules applicable to distributions required to be withdrawn in 2020 by IRA owners and IRA beneficiaries.

IRA Owners Born *Before* July 1, 1948

For Traditional, SEP and SIMPLE IRA owners born before July 1, 1948, the CARES Act waives the mandatory distribution requirement (i.e., RMDs) for 2020. IRA owners still have the option of taking distributions at their discretion but are not required to do so.

IRA Owners Born July 1, 1948 - June 30, 1949

Traditional, SEP and SIMPLE IRA owners who reached age 70½ during 2019 (i.e., have a date of birth of July 1, 1948 through June 30, 1949), were required to take their first RMD by no later than April 1, 2020 (i.e., their “required beginning date”). For such IRA owners, the CARES Act waives the RMD for 2019, if the distribution was not already withdrawn during 2019, in addition to waiving the mandatory distribution requirement (i.e., RMD) for 2020. While these RMDs are not required, IRA owners still have the option of taking distributions at their discretion.

IRA Beneficiaries

The CARES Act waives the mandatory distribution requirement for 2020 for IRA beneficiaries who were required to withdraw Life Expectancy Payments in 2020. Also, the RMDs of a deceased IRA owner that beneficiaries may have otherwise been required to withdraw in the year of the IRA owner’s death are also waived. While the CARES Act waives these RMDs, beneficiaries still have the option of taking distributions at their discretion but are not required to do so.

The CARES Act has also provided relief for IRA beneficiaries who have elected or defaulted to the Five-Year Rule distribution option. Under the CARES Act, 2020 is not to be counted in the 5-year period that

determines the deadline for an IRA beneficiary to deplete an Inherited IRA under the Five-Year Rule. As such those beneficiaries effectively have a 6-year period rather than a 5-year period to deplete the Inherited IRA.

Coronavirus-Related Distributions

“Qualified Individuals” are eligible take a “Coronavirus-Related Distribution” from their IRAs that are eligible for flexible taxation and repayment options not generally available for IRA distributions. Coronavirus-Related Distributions must be withdrawn on or after January 1, 2020 and before December 31, 2020 and may not exceed \$100,000 (in aggregate) per individual. Adjustments to this distribution timeframe and the maximum amount may be authorized by the federal government. For assistance in determining whether you are eligible for a Coronavirus-Related Distribution, consult your tax advisor.

Qualified Individuals

Qualified Individuals include individuals

- 1) who are diagnosed with the virus SARS–CoV–2 or with the coronavirus disease (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- 2) whose spouse or dependent is diagnosed with the virus SARS-CoV-2 or with the coronavirus disease (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- 3) who experience adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

Taxation and Penalty Implications

While Coronavirus-Related Distributions must generally be included in taxable income, the CARES Act includes a special provision allowing taxpayers to include the taxable portion of any Coronavirus-Related Distribution in their taxable income ratably over a three-year period, unless an election is made by the taxpayer to include the entire taxable amount in income for tax year 2020. Coronavirus-Related Distributions are exempt from the 10% early distribution penalty that typically applies when IRA owners are under the age of 59½ and take a distribution. The early distribution penalty that is increased to 25% for certain SIMPLE IRA distributions is also not applicable to Coronavirus-Related Distributions.

Repayment of Coronavirus-Related Distributions

Under the CARES Act individuals are eligible to repay all or a portion of a Coronavirus-Related Distribution in one or more contributions, at any time during the three-year period beginning on the day after the distribution is received. The portion of any Coronavirus-Related Distribution that is repaid within the three-year timeframe is treated as not included in taxable income. For further information on the tax implications of Coronavirus-Related Distributions repayments, consult your tax advisor.

IRA Contribution Deadline

The deadline for tax year 2019 Traditional IRA and Roth IRA contributions has been extended from April 15, 2020, to July 15, 2020.