

REVERSAL OF 2020 REQUIRED MINIMUM DISTRIBUTIONS (RMD) UNDER THE CARES ACT

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In April, the IRS extended a number of deadlines for certain actions that are otherwise due to be performed on or after April 1, 2020 and before July 15, 2020, to July 15, 2020. This extension indirectly provides a way for individuals who already took an RMD to put it back into their IRA or plan and eliminate the tax bill. Here's how it works:

Normally, anyone who takes a distribution from their IRA or plan can roll those funds over within 60 days. This IRS extension to July 15, 2020 means that anyone who took an RMD between February 1, 2020 and May 15, 2020 can still put the money back into their IRA or plan. Unfortunately, if an individual took an RMD in January, they do not appear to qualify for any relief (based on what is known as of late April 2020).

Please note that this relief does not include relief from the once-per-year IRA rollover rule. Only one IRA-to-IRA or Roth IRA-to-Roth IRA rollover per 365 days (not a calendar year) is permitted. If anyone has done one of these rollovers within the 365 days preceding the date they received their RMD, then they are disqualified from taking advantage of this 60-day extension. This rule only applies to IRA-to-IRA rollovers, and not to company retirement plans. For example, rollovers from company plans to IRAs or vice-versa are not subject to the once-per-year rule. Neither are Roth conversions.

DISCLOSURES:

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

This information is not intended to be a substitute for individualized tax advice. We suggest that you discuss your specific tax situation with a qualified tax advisor.



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