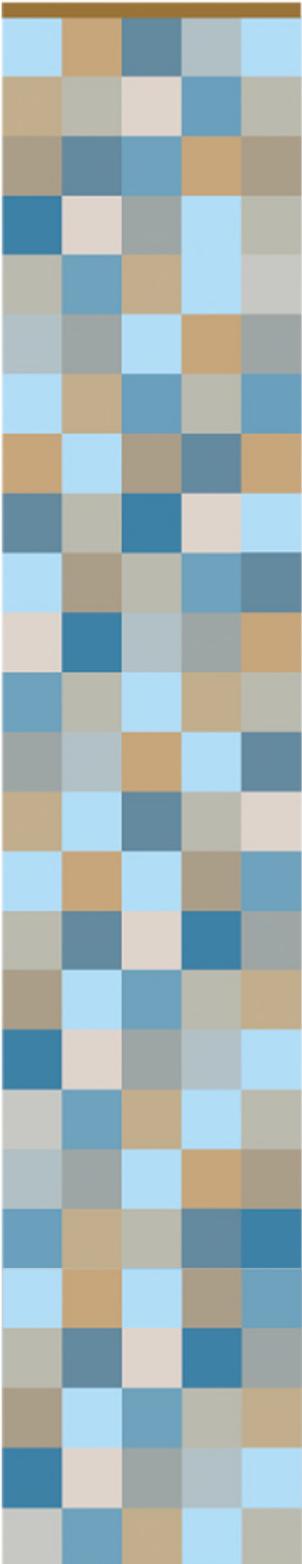


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April 2020

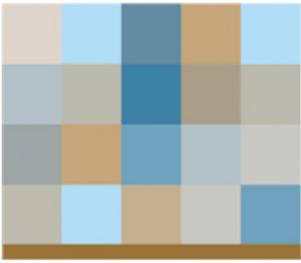


Important Tax Relief For Required Minimum Distributions MH&H Trusts & Estates Team

One of the most significant tax breaks for individuals included in the recently passed CARES Act was a temporary suspension of the annual required minimum distribution rules for IRA's and certain other defined contribution accounts. Specifically, Congress has recognized that taking the required minimum distribution (RMD) in 2020 could force individuals to liquidate a disproportionately large portion of their IRA due to the need to satisfy this year's RMD during a year where the stock market has been so profoundly impacted. As such, the following rules have been implemented for this year ONLY:

- RMD's are waived for 2020 on IRA's, including inherited IRA's.
- The waiver includes the [April 1](#) requirement for people who turned 70 1/2 In 2019 and deferred their first distribution [until April 1, 2020](#).
- The amount someone can borrow from their 401(k) has increased from \$50,000 or up to 50% of their account, to \$100,000 or up to 100% of their account.
- Individuals under the age of 59 1/2 have (with limited exceptions, such as inherited IRA's) been subject to (in addition to income tax) a 10% penalty if they took distributions from their retirement account. That 10% penalty has been waived on distributions up to an amount of \$100,000 for Covid-19 related expenses. A Covid-19 related expense has been broadly defined to include being diagnosed with the virus, leaving a job to care for someone who was so diagnosed, being quarantined, being furloughed from a job, being laid-off, as a few examples.

In addition the income tax on a withdrawal by someone under 59 1/2 can be paid evenly over 3 years or, the tax can be avoided if the withdrawal is repaid within 3 years. It is unclear whether this ability to avoid the tax by repaying the RMD over



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3 years applies to any distribution for Covid-19 related expenses.

In summary, anyone who has been, or would this year, be required to take an RMD, but who does not need those funds for living expenses, should give very serious consideration to NOT taking their distribution this year. We are available to assist you in any way at your convenience.

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