Making Sense of the Tax Code Changes

Charles Rotblut, CFA

Vice President & *AAII Journal* Editor

American Association of Individual Investors

charles@aaii.com

We Published a Rare Midyear Update to Our Tax Guide

Tax Rule Changes Within the Past 6 Months

- The SECURE Act (Inherited IRAs, RMDs, IRA Contributions)
- The CARES Act (RMDs, Charitable Deductions, Withdrawals, Stimulus Checks)
- IRS (Filing Deadlines)

IRS Coronavirus Page

Coronavirus Tax Relief and Economic Impact Payments

English | Español

Topics in the News

- Coronavirus Tax Relief
  - Economic Impact Payments
- **News Releases**
- **Multimedia Center**
- **Tax Relief in Disaster Situations**
- **Tax Reform**
- **Taxpayer First Act**
- **Tax Scams/Consumer Alerts**
- **The Tax Gap**
- **Fact Sheets**
- **IRS Tax Tips**
- **e-News Subscriptions**
- **IRS Guidance**
- **Media Contacts**
- **IRS Statements and Announcements**

We are offering tax help for taxpayers, businesses, tax-exempt organizations and others – including health plans – affected by coronavirus (COVID-19).

Economic Impact Payments

We have started sending payments to taxpayers.

- Do not call.
- Most people won't need to take any action.

Check your payment status.

Latest Updates on Coronavirus Tax Relief

Get answers to Economic Impact Payments questions

We are regularly updating our Economic Impact Payments and Get My Payment application frequently asked questions pages so check back often for the latest additions that answer many common questions.

Get My Payment: Reasons you may get "Status Not Available"

The Get My Payment application will return "Status Not Available" if you are not eligible for a payment or we don't have enough information yet to provide a status. See the IRS Statement on Get My Payment Application for details.

IRS mission-critical functions continue

While we continue to process electronic returns and issue refunds, some IRS services are limited. Get up-to-date status on affected IRS operations and services.

https://www.irs.gov/coronavirus

Deadlines Moved July 15, 2020

- 2019 Tax Returns (Federal)
- Q1 Estimated Taxes (Federal)
- Q2 Estimated Taxes (Federal)
- 2019 IRA/Roth IRA Contributions
- 2019 HSA Contributions

*Individual states and localities may have different deadlines

Extensions for federal taxes still only give you until October 15, 2020

(An extension is not necessary if you file by July 15)

The CARES Act

H. R. 748

One Hundred Sixteenth Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Friday, the third day of January, two thousand and twenty

An Act

To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act".

SEC. 2. TABLE OF CONTENTS.

Tax Rebates

- $1,200 per individual/$2,400 for joint filers
- Plus $500 for each qualifying child
- Phased out for AGI above $150,000 for joint, $112,500 for head of household and $75,000 for single filers
- AGI limits are $198,000, $136,500 and $99,000 respectively
- Based on 2019 AGI (or 2018 if 2019 tax return not yet filed)

A Few Notes About the Rebates

- The rebate is a credit on your 2020 taxes
- It is not taxable and won’t impact your 2020 tax liability
- If your AGI is lower in 2020 than it was in 2019, you may be able to claim additional amounts up to the limit
- The Kiplinger Tax Letter does not expect that excess rebates will need to be repaid

If you haven’t received your rebate, go to:

https://www.irs.gov/coronavirus/get-my-payment

(When you see the notice about the tool being for authorized use only, click on “OK”)

RMDs Waived for 2020

- You don’t have to take any this year
- The rule appears to apply to inherited IRAs as well
- If you have taken an RMD, you have 60 days to roll it over to a new IRA
- Any taxes withheld on the withdrawal must be covered with other funds

Only One Rollover Per 12-Month Period Allowed

T.C. Memo. 2014-21

UNITED STATES TAX COURT

ALVAN L. BOBROW AND ELISA S. BOBROW, Petitioners v.
COMMISSIONER OF INTERNAL REVENUE, Respondent

Docket No. 7022-11. Filed January 28, 2014.

Alvan L. Bobrow and Elisa S. Bobrow, pro sese.

Thomas A. Deamus, for respondent.

12-Month Rollover Rule

- Funds can be withdrawn from an IRA on a tax-free basis if they are deposited into another IRA within a 60-day window
- Aggregate IRA rollovers are limited to one person per year regardless
- Trustee-to-trustee transfers are exempt
- 401(k) rollovers and Roth IRA conversions do not count toward rule

Source: "New Rules for IRA Rollovers," *AAII Journal*, May 2014.

Retirement Saving Withdrawals

- Up to $100,000 can be withdrawn penalty-free for coronavirus-related expenses
- No taxes due if coronavirus withdrawals repaid within three years
- If not paid, taxes on coronavirus withdrawals are pro-rated over a three-year period
- Qualifications include diagnosis, reduction in pay or work hours and having to provide child care

Charitable Donations

- $300 of qualified donations can be deducted even if standard deduction is taken
- Cap on deducting charitable donations is removed; was 60% of AGI
- Qualified charitable donations (QCDs) still allowed, though they won't impact 2020 taxes

The SECURE Act

H. R. 1865

One Hundred Sixteenth Congress
of the
United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Thursday, the third day of January, two thousand and nineteen

An Act

Making further consolidated appropriations for the fiscal year ending September 30, 2020, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Further Consolidated Appropriations Act, 2020”.

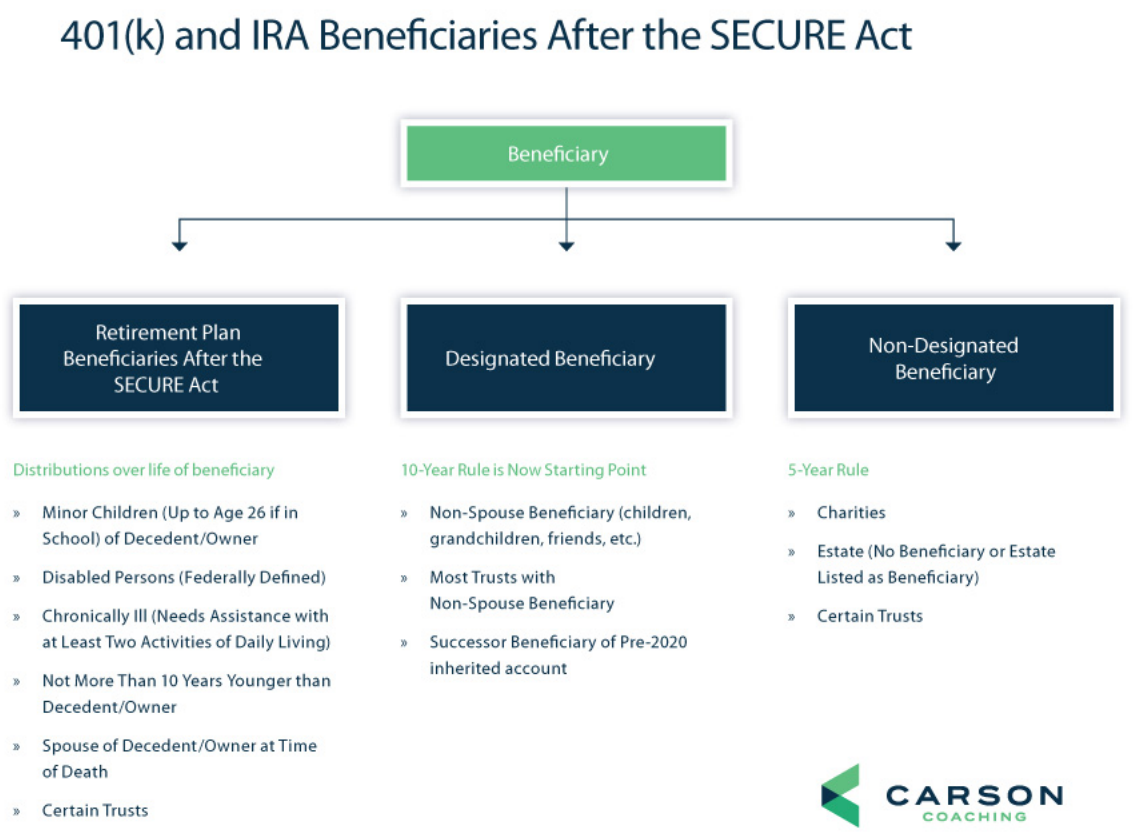
RMDs Start Later

- RMDs start at age 72 instead of 70½
- Applies only to those turning 70½ on January 1, 2020 or later
- QCDs still start at age 70½

No Age Cap on IRA Contributions

- Those older than 70½ can now contribute to traditional IRAs
- Must have earned income to make contributions
- Any deductible IRA contributions made after age 70½ will offset current-year and future years' QCDs up to the same amount

New Inherited IRA Rules



Source: "The Top SECURE Act Provisions Individual Investors Should Be Aware Of," *AAII Journal*, April 2020

10-Year Rule on Inherited IRAs

- Beneficiaries of inherited IRAs must take all withdrawals by the end of the 10th calendar year following the account owner’s year of death.
- Spouses can sidestep rule by making the IRA their own account
- Exceptions include those less than 10 years younger than deceased owner, minor child and disabled/chronically ill beneficiary

Inherited IRA Tax Strategies

- If your tax rate is lower than beneficiary's, consider doing a Roth IRA conversion
- Gift now ($15,000 per person per year)
- Set up a charitable remainder trust
- Life insurance and annuities are another option

Inherited IRAs Are Not Retirement Accounts

SUPREME COURT OF THE UNITED STATES

Syllabus

CLARK ET UX. *v.* RAMEKER, TRUSTEE, ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 13–299. Argued March 24, 2014—Decided June 12, 2014

When petitioners filed for Chapter 7 bankruptcy, they sought to exclude roughly $300,000 in an inherited individual retirement account (IRA) from the bankruptcy estate using the "retirement funds" exemption. See 11 U. S. C. §522(b)(3)(C). The Bankruptcy Court concluded that an inherited IRA does not share the same characteristics as a traditional IRA and disallowed the exemption. The District Court reversed, explaining that the exemption covers any account in which the funds were originally accumulated for retirement purposes. The Seventh Circuit disagreed and reversed the District Court.

Source: "Supreme Court: No Bankruptcy Protection for Inherited IRAs," *AAII Journal*, July 2014

If you have questions about how the changes affect you personally, consult a tax professional.

Doing so may be well worthwhile if it helps you avoid an audit.

Tax Resources I Use

- IRS.gov
- Wolters Kluwer
- J.K. Lasser's Your Income Tax
- The Kiplinger Tax Letter
- My Tax News Twitter List
- TurboTax
- AAII Tax Guide

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Charles Rotblut, CFA
Vice President & *AAII Journal* Editor
American Association of Individual Investors
charles@aaii.com

Upcoming Webinars:

Derek Hageman
AAII Financial Analyst
Wednesday May 20, 2020, 7:30 p.m. CDT

Alliance for Investor Education Panel: Mistakes to Avoid Making Right Now
Wednesday May 27, 2020, 7:30 p.m. CDT

Kevin Carter
Founder of Emerging Markets Internet & Ecommerce ETF (EMQQ)
Wednesday June 3, 2020, 7:30 p.m. CDT