SECURE Act: The Wait is Finally Over

Earlier this year, the Presidents signed the SECURE Act Bill, which contains a number of changes to IRA Plans. The Secure Act provides the most comprehensive retirement reform package in over a decade. The primary goals of the SECURE Act are to expand retirement savings, improve plan administration, simplify existing rules, and preserve retirement income. The provisions summarized below will certainly give rise to questions in the coming days. Our aim is to provide an easy reference to the important retirement plan changes, while understanding that you may want to discuss any additional questions with your Financial and Tax Advisor.

New Provisions Affecting Employer Plans and IRA's

- **More rapid payouts to non-spouse (and other) beneficiaries.** Most non-spouse beneficiaries of IRA's, qualified defined contribution plans, 403(b) plans, and government 457(b) plans will generally be required to distribute inherited amounts within 10 years. (Effective for plan participant/IRA owner deaths in 2020 or later years; 2022 or later years for governmental plans; special delay to accommodate contracts of certain collectively bargained plans.) Exceptions include those who, at the time of the accounts owner's death, are
    - Disabled individuals,
    - Certain chronically ill individuals,
    - Beneficiaries whose as is within 10 years of the decedent's age
    - Minors (they would begin a 10-year payout period upon reaching the age of majority), and
    - Recipients of certain annuitized payments begun before enactment of the SECURE Act.
- **Delayed age for beginning RMDs (Required Minimum Distributions)**. The age when required minimum distributions (RMDs) from Traditional IRAs, qualified plans, 403(b) plans, and governmental 457(b) plans must generally begin is increased from age 70 ½ to age 72. (Effective for distributions required in 2020 or later years, for those individuals who reach age 70 ½ in 2020 or later.)
- **Birth/adoption excise tax exception.** The birth of a child or adoption of a child (or individual who is incapable pf self-support) qualifies both as a plan distribution event and as an amount that is exempt from the 10 percent early distribution penalty tax (if applicable) for distributions of up to $5,000.00 in aggregate from IRA's and defined contribution qualified plans, 403(b) plans, and governmental 457(b) plans. These amounts may be repaid. (Effective for distributions in 2020 and later years)
- **"Difficulty of care" payments treated as eligible compensation for retirement plan funding**. Because many home healthcare workers receive payment that is not taxable income, they haven't been able to contribute to a retirement plan. Now such "difficulty of care" payments will qualify as eligible compensation for IRA and other plan contributions. (Effective upon enactment for IRAs, and for 2016 and later plans years for employer plans.)

More Flexibility for IRA Contributions. The following provisions specifically affect IRAs.

- **Traditional IRA contributions at any age.** Taxpayers with earned income can make Traditional IRA contributions at any age, not just for years before reaching 70 ½, as under current law. (Effective for 2020 and later taxable years.)
- **Graduate student IRA contributions.** Certain stipend, fellowship, and similar payments to graduate and postdoctoral students will be treated as earned income for IRA contribution purposes. (Effective for 2020 and later taxable years.)

New Eligible Expenses for 529 Plans

The SECURE Act also broadens the definition of eligible expenses for qualified tuition or "529" plans. Individuals may now take a qualified, tax-free 529 plan distribution to pay for registered apprenticeships. They may also distribute up to $10,000.00 in order to make repayments of student loans for a 529 plan beneficiary- or a beneficiary's sibling. (Effective for distributions in 2019 and later years.)

Disaster Relief Provisions

To provide relief for certain natural disasters that occurred during the last couple of years, the FCAA contains a bill entitled the Taxpayer Certainty and Disaster Tax Relief Act of 2019. Among other things, the bill provides disaster relief to individuals in presidentially declared disaster areas who have taken IRA and plan distributions between January 1, 2018 and 180 days after enactment of this legislation. (Applicable to plans that are amended on or before the last day of the first plan year beginning on or after January 1, 2020, or later, if the IRS allows.)

- **Qualified disaster distributions.** Qualifying distributions of up to $100,000 from employer-sponsored retirement plans and IRAs are exempt from the 10 percent early distribution penalty tax and the normal withholding requirements. Individuals affected by more than one disaster may distribute up to $100,000 per disaster.
- **Repayment options.** Individuals may repay qualifying distributions within a three-year period. Distributions not repaid generally will be taxed ratable over a three-year period, unless individuals elect otherwise. Individuals may also repay distributions taken for cancelled home purchases.
- **Relaxed loan requirements.** Employers may allow participants to request a plan loan of up to $100,000. Participants may delay loan repayments for up to one year.