PROVISIONS TO COMMUNICATE TO YOUR EMPLOYEES

IN 2020

1

There is no longer a restriction on retirement contributions to a traditional IRA after an account owner reaches age 70 ½. The removal of this age restriction makes it possible for account owners to contribute to their retirement accounts regardless of age. This provision goes into effect for all contributions and distributions made for tax years after December 31, 2019.

2

The age for required minimum distributions (RMDs) has been raised from age 70 ½ to age 72. Under current law, participants are required to begin taking distributions from their retirement accounts upon reaching age 70 ½; however, this age target was first applied in the 1960s and has never been adjusted to increased life expectancies. This new provision increases the required minimum distribution age from age 70 ½ to age 72 to compensate for the uptick in life expectancies. This age increase allows retirement savings to last longer into individuals' retirement years as Americans' life expectancies continue to increase. This provision takes effect for distributions made after December 31, 2019 for individuals who attain age 70 ½ after this date.

3

Penalty-free withdrawals for individuals involved with birth or adoption. This provision creates a new waiver from the additional income tax on retirement plan distributions used for childbirth or adoption expenses up to $5,000 during the first year following the birth or adoption. This provision takes effect for all distributions made after December 31, 2019.

4

Expansion of 529 Plan funds usage. This provision allows tax-free distributions from 529 Plans for qualified student loan payments, known as qualified education loan repayments, can be used to pay down the principal and interest of a qualified education loan. Note that there is a $10,000 lifetime amount limit. This provision applies to distributions made after December 31, 2018.

5

The "kiddie tax" is reinstated to pre-Tax Cuts and Jobs Act (TCJA) rates. This modification reduces high TCJA taxes levied on children's unearned income like college grants, scholarships, and military survivor benefits that inadvertently caused harm to low- and middle-income students. This provision takes effect for tax years beginning after December 31, 2018, and individuals who paid the higher tax in their 2018 returns may file amended returns to seek refunds.

6

There are new rules for inherited retirement accounts: Under current law, assets in inherited retirement accounts (Stretch IRAs) can be distributed throughout a beneficiary's lifetime; however, under the new provisions, these assets must be distributed within ten years. There are exceptions for spouses, children who are minors, disabled individuals, and individuals less than ten years younger than the decedent. This provision has the potential to impact estate planning for many. Note that this provision does not affect existing inherited accounts; it only affects accounts that are inherited after December 31, 2019.

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