On December 20, 2019, President Trump signed into law the Further Consolidated Appropriations Act, 2020 (FCAA). The FCAA is comprised of multiple bills—including the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which contains several major retirement savings-related provisions.

The primary goals of the SECURE Act are to expand retirement savings, improve plan administration, simplify existing rules, and preserve retirement income. The FCAA also includes bills that provide disaster relief and a lower adjusted gross income (AGI) threshold for the medical penalty exception.

The IRA 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 more federal guidance will be needed to resolve certain matters.

The following SECURE Act provisions affect IRAs.

More rapid payouts to nonspouse (and other) beneficiaries. Most nonspouse beneficiaries of IRAs will generally be required to distribute inherited amounts within 10 years. *(Effective for IRA owner deaths in 2020 or later years.)* Exceptions include those who, at the time of the account owner's death, are

- disabled individuals,
- certain chronically ill individuals,
- beneficiaries not more than 10 years younger than the account owner,
- minors of the decedent (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. The age when required minimum distributions (RMDs) from Traditional IRAs must generally begin is increased from age 70½ to age 72. *(Effective for distributions required in 2020 and later years, for those who reach age 70½ in 2020 or a later year.)*

Birth/adoption excise tax exception. The birth of a child or adoption of a child (or individual who is incapable of self-support) other than a child of the taxpayer's spouse, qualifies as an amount that is exempt from the 10 percent early distribution penalty tax (if applicable) for distributions of up to $5,000 in aggregate from IRAs 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 contributions. *(Effective upon enactment for 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 age 70½. *(Effective for 2020 and later taxable years.)*

Graduate student IRA contributions. Treats certain stipend, fellowship, and similar payments that are includible in income as eligible compensation for IRA contribution purposes. *(Effective for 2020 and later taxable years.)*

The FCAA contains a bill entitled the Taxpayer Certainty and Disaster Tax Relief Act of 2019. Among other things, this bill provides disaster relief to individuals in presidentially declared disaster areas who have taken IRA and retirement 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.)*

The following FCAA provision affects IRAs.

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 disaster distributions within a three-year period. Distributions not repaid generally will be taxed ratably over a three-year period, unless individuals elect otherwise. Individuals may also repay distributions taken for cancelled home purchases.

The FCAA contained a number of provisions providing for the extension of certain expiring provisions. One of those provisions provides for the extension of the reduction in the medical expense deduction floor.

Reduction in medical expense deduction floor. The FCAA extended the temporary reduction in the medical expense floor to 7.5% for 2019 and 2020 taxable years. As a result, distributions taken from IRAs to pay for unreimbursed medical expenses that exceed 7.5% of AGI are not subject to the early distribution penalty tax.