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IRA and PENSION HIGHLIGHTS for 2020 and 2021

- **REQUIRED MINIMUM DISTRIBUTIONS (RMDs):** The RMD rules are **WAIVED** for distributions from defined contribution plans and IRAs. NO distribution is required for 2020.
- **NO IRA CHANGES for 2020:** The maximum allowable IRA contribution will be **\$6,000 (\$7,000** for taxpayers 50 or older) for 2020. There is no change for 2021. This IRA contribution is applicable for Roth IRAs, traditional IRAs, and nondeductible IRAs. Those wishing to contribute to a ROTH IRA are subject to income limitations. You have until April 15, 2021 to make a 2020 contribution.
- **NO CHANGES FOR 2020 & 2021 PENSION CONTRIBUTIONS:** The **employee elective deferral for 401(K) plans** will be **\$19,500**; employees age 50/older an additional \$6,500 deferral/total of \$26,000). Regardless, taxpayers should make sure that they contribute at least up to the employer match. The ceiling on **SIMPLE PLANS** be **\$13,500** (employees age 50/older can put in an additional \$3,000/total of \$16,500).
- **Coronavirus-Related Plan Distributions:** Taxpayer impacted by the coronavirus (which is essentially anyone) can withdraw up to \$100,000 from their retirement plan **without penalty**, but **still subject to income taxes**. The amount, if not paid back, is generally **includible in income over a three-year period**. The distribution will not be includible in income if the taxpayer returns the distribution as a **roll-over treatment within a three-year period**.
- You can look forward to somewhat **smaller required minimum distributions (RMDs)** from your IRA and company retirement savings plan beginning in 2022. The IRS released **new life expectancy tables that are used to calculate RMDs**. The new tables are not effective until 2022 but RMDs for 2021 will be calculated under the current tables. A smaller RMD means less taxes and more retirement savings you can retain for tax-deferred growth. Of course, you can always take more than your RMD if you wish.
- **The SECURE ACT:** Some of the highlights of the provisions that effect IRA and retirement plans. include:
 - **Repeals the prohibition on contributions** to a traditional Individual Retirement Account (IRA) by an individual **who has reached age 70-1/2**. But contributions can be made only if the taxpayer has **earned income**.
 - Permits **penalty-free withdrawals from retirement plans for expenses related to the birth of a child or adoption**
 - **Increases from 70-1/2 to 72 the age for mandatory distributions** from retirement plans.
 - **Modifies required minimum distribution (RMD) rules** with respect to defined contribution plans and IRA balances upon the death of the account holder. **All distributions must be made by the end of the 10th year after death** for distributions made to **non-spouse designated beneficiaries**. The ability to use a stretch IRA was eliminated by repeal of the life expectancy for a majority of beneficiaries. Life expectancy has been replaced with a ten-year distribution period. Only **eligible designated beneficiaries** including surviving spouse, minor child of participant/owner, disabled/chronically ill beneficiaries and beneficiaries less than ten years younger than the deceased IRA account holder may use the life expectancy tables. If spouse is sole designated beneficiary, spouse can use the longer of spouse's life expectancy or deceased spouse's life expectancy (rollover is still usually the best approach). If

beneficiary is not spouse but is an eligible designated beneficiary, the life expectancy of beneficiary can be used but ten-year rule then applies to their successor beneficiary. If beneficiary is not an eligible designated beneficiary, then ten-year rule applies.

- **QUALIFIED RETIREMENT PLANS: Retroactive adoption.** Allows employers to treat retirement plans adopted before the due date of the tax return as adopted as of the last day of the tax year.
- **Changes To “Qualified Charitable Distributions” (QCDs) For IRA Owners.** If you have reached age 70½ and you are planning to make charitable contributions, there is a long-standing tax break known as a “**Qualified Charitable Distribution**” (QCD) that could apply. This provision generally allows taxpayers, who have reached age 70½, to have their IRA trustee transfer up to \$100,000 from their IRAs “directly” to a qualified charity, and exclude the IRA transfer from income. The IRA transfer to the charity also counts toward the IRA owner’s “Required Minimum Distributions” (RMDs) for the year. Although the Appropriations Act increased the required beginning date for RMDs from age 70½ to age 72, the minimum age for making a QCD remains at age 70½.

IRS Announces Contribution Benefit Limits for 2020 & 2021

	2021	2020
IRAs		
IRA Contribution Limit (Traditional and Roth)	\$6,000	\$6,000
IRA Catch-Up Contributions	\$1,000	\$1,000
SEP		
SEP Minimum Compensation	\$800	\$600
SEP Maximum Contribution	\$57,000	\$57,000
SEP Maximum Compensation	\$285,000	\$285,000
SIMPLE Plans		
SIMPLE Maximum Contributions	\$13,500	\$13,500
Catch-up Contributions	\$3,000	\$3,000
401(K), 403(b), Profit Sharing Plans, etc.		
Annual Compensation	\$290,000	\$285,000
Elective Deferrals	\$19,500	\$19,500
Catch-up Contributions	\$6,500	\$6,500
Defined Contributions Limits	\$58,000	\$57,000
ESOP Limits	\$1,165,000 \$230,000	\$1,150,000 \$230,000

Other		
	<u>2021</u>	<u>2020</u>
Highly Compensated Employee (HCE) Threshold	\$130,000	\$130,000
Defined Benefit Limits	\$230,000	\$230,000
Key Employee	\$185,000	\$185,000
457 Elective Deferrals	\$19,500	\$19,500
Control Employee (Board Member or Officer)	\$115,000	\$115,000
Control Employee (Compensation-based)	\$235,000	\$230,000
Modified Adjusted Gross Income Phase-Out Ranges for Traditional IRA Deduction when Taxpayer is Covered by a Retirement Plan		
Single or Head of Household	\$66,000 – \$76,000	\$65,000 - \$75,000
Married Filing Jointly	\$105,000 - \$125,000	\$104,000 - \$124,000
Married Filing Jointly for Non-Covered Spouse with a Spouse who is an Active Participant	\$198,000 - \$208,000	\$196,000 - \$206,000
Modified Adjusted Gross Income Phase-Out Ranges for Roth Annual Contributions		
Single or Head of Household	\$125,000 - \$140,000	\$124,000 - \$139,000
Married Filing Jointly	\$198,000 - \$208,000	\$196,000 - \$206,000
Social Security		
Social Security Taxable Wage Base	\$142,800	\$137,700
Maximum Earnings for Individuals under Normal Retirement Age before SS benefits are reduced	\$1,520/mo \$18,240/year	\$1,470/mo \$17,640/year
Health Savings Accounts		
Maximum Contribution Limit – Single	\$3,550	\$3,500
Maximum Contribution Limit – Family	\$7,100	\$7,000
Maximum Contribution Limit – Catch-Up	\$1,000	\$1,000
Minimum Annual Deductible for High Deductible Health Plan - Single	\$1,400	\$1,350
Minimum Annual Deductible for High Deductible Health Plan – Family	\$2,800	\$2,700
High Deductible Health Plan Maximum Out-of-Pocket Expenses - Single	\$6,900	\$6,750
High Deductible Health Plan Maximum Out-of-Pocket Expenses - Family	\$13,800	\$13,500