

Iowa Credit Union League
Virtual Roundtable | Recent Legislation Affecting IRAs
April 22, 2020
1:30 – 2:30 p.m.

Updates from PolicyWorks | Compliance Consultant Anthony Cooper

- ☐ Small Business Administration (SBA) Paycheck Protection Program (PPP)
 - The Senate passed a bill and now it is moving into the House.
 - Lenders should receive funding by asset size.
 - Nothing in the bill would allow credit unions to receive PPP.
- ☐ Stimulus Checks
 - Members should wait to cash checks until the date on the check
 - It is at credit unions' discretion if they cash early

Recent Legislation Affecting IRAs | First Community Trust, N.A. EVP/COO Sharlene Kline

- ☐ SECURE Act – December 2019
 - Increases the required minimum distribution age to 72 for those who turned 70 ½ after 12/31/2019
 - No age restrictions on IRA contributions – must have income
 - “Stretch” IRAs are eliminated for inherited IRAs when the accountholder died after 12/31/2019
 - Exceptions to the 10-year distribution
 - Required minimum distribution relief
- ☐ CARES Act
 - Required Minimum Distributions are waived for 2020
 - No 10% early withdrawal penalty for coronavirus related distributions
 - Income tax may be spread over 3 years
- ☐ Qualified Charitable Distribution
 - Can donate from IRA directly to a charity at age 70 ½

Open Discussion | Moderated by ICUL Director of Member Services Andrea Dose

- ☐ Q: What should we be aware of for the auditing of IRAs?
 - A: This is probably more of an internal discussion. When the SECURE Act and CARES Act laws were passed, FCT sent out a notice to all of their IRA clients to inform them of the new laws.
- ☐ Q: Is it the financial institution's responsibility to prove/validate the COVID-19 withdrawal reason or will that fall into the hands of the IRA when they file their taxes next year?

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- A: The validation or proof of early withdrawal due to COVID-19 is the responsibility of the IRA accountholder. It will be up to that individual to handle the “disaster distribution” when they file their taxes. For IRS reporting purposes, the financial institution will want to code it as an early distribution (exception or no exception applies) if the accountholder is under age 59 ½ or normal distribution if over age 59 ½. However, these decisions on how these are handled needs to be made by each institution based on their internal procedures and policies.
- Q: Do we need anything in writing (audit) to stop disbursing RMD? Do we need to notify members first, or offer an opt out?
 - A: The RMD distribution is “optional” for 2020, not mandatory. Before you suspend any distribution, you need to get authorization from the client/member. Again, each institution should handle this based on their internal procedures and policies.
- Q: Is there any word on COVID-19 hazard pay?
 - A: There are no guidelines for this in the credit union arena, but it is being offered in other sectors.
- Q: What do we do if there is a potential COVID-19 exposure?
 - A: Must contact the Iowa Division of Credit Unions if you need to close your branch or business. Resources can be found on the [ICUL COVID-19 resources website](#).

REMINDER: Send resources you’re willing to share with other credit unions and credit union questions to covid@iowacreditunions.com.

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