

## **Important IRA Rollback Deadline Update**

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**August 2020**

The Federal government implemented the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) earlier this year in response to the coronavirus pandemic. One key element of the CARES Act is the opportunity, in 2020, to suspend Required Minimum Distributions (RMDs) from Individual Retirement Accounts (IRA) and other qualified plans such as 401(k)s and 403(b)s. Additionally, toward the end of June, the IRS posted an updated notice outlining an August 31, 2020 deadline to return or rollback any distributions taken throughout the year. As one might imagine, we have seen some unique tax planning opportunities emerge from this legislation.

With the ability to suspend remaining distributions and potentially claw back distributions already taken, we have seen situations in which clients have realized a significant lowering of their marginal tax bracket. In several circumstances, we have seen tax savings of \$40,000 or more.

Another major impact has been on the preferential rate applied to long-term capital gains tax and qualified dividends. In certain situations, the ability to suspend and recover retirement plan distributions has reduced clients' taxable income to the point in which a significant amount of long-term gain they might have realized is eligible to be taxed at 0% in 2020. The ability to realize gains at 0% has had a two-fold benefit. One, it is obviously a tangible tax reduction tactic, and two, from a portfolio management perspective, it has offered us the opportunity to harvest gains in concentrated, low-basis stock positions with no resulting income tax.

If you have not yet evaluated whether these strategies may be applicable to your financial circumstances, please feel free to reach out to any Naples Global Advisors professional via phone at (239) 776-7900 or by emailing [info@naplesglobaladvisors.com](mailto:info@naplesglobaladvisors.com). As always, we encourage you to also consult your tax advisor.