

# Golden Bullets

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## TAX RESULTS FROM 2020: THINGS TO CONSIDER

**Calendar year 2020 is over.** Most folks that I know are happy to be finished with the year which will be remembered for the COVID-19 pandemic.

Unfortunately, we are not completely finished with the 2020 hangover yet. The IRS has given us until April 15 to sort out the tax results associated with that year. If you are like me, you are organizing forms sent to you from various financial institutions. Those forms contain information that is needed for your personal tax return.

You may remember that a **qualified individual was eligible to take coronavirus-related distributions (CRDs) of up to \$100,000** in the aggregate from either employer plans or IRAs in 2020. Eligible people included those who had household members who were laid off as a result of the virus or who got sick. Even though the virus has not yet disappeared, the special program has ended.

Those who took eligible CRDs in 2020

- avoided the 10 percent early distribution penalty on the amount received,
- were able to spread the **income tax result over three years** and
- received an **extended indirect rollover deadline of three years** after the distribution.

If you took a CRD in 2020, you have probably already received Form 1099-R for that distribution. The IRS requires those who received CRDs to properly report the distribution and its tax consequences on their income tax return.

The Service has created new Form 8915-E with instructions so that a taxpayer who took a 2020 CRD can reconcile the information on Form 1099-R with the proper tax result. Form 8915-E can be found at this link: <https://www.irs.gov/pub/irs-prior/f8915e--2020.pdf>.

You may have also received Forms 1099-R for other kinds of transactions:

- Distribution from an IRA sent directly to charity.
- Tax-free exchange of one life policy for another.
- Distribution from a nonqualified annuity.
- An IRA distribution that you rolled over within 60 days.

In the past, many of my clients have struggled to understand why some of their Form 1099-R reports have certain information on them. I have been glad to review the details with them, and work with their tax advisors to determine the best next steps.

**Do you have a general question about your Form 1099-R?** Did you engage in certain transactions in 2020 that could use additional clarification? I help my clients review their tax documents and in conjunction with their tax professional help them anticipate the right tax results for the coming year. **Would a conversation about your 2020 tax documents be helpful to you?**

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

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