ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning For Your Retirement Savings

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Guest IRA Expert

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Bipartisan Budget Act of 2018 Impacts Retirement Plans

On Friday, February 9, 2018, President Trump signed into law the Bipartisan Budget Act of 2018 ("the Act"). While the Act is best known for ending the nine-hour government shut down that took place in the early morning hours of February 9, 2018, the Act also includes some provisions which impact retirement plans.

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California Wildfire Disaster Relief

In 2017, Congress passed legislation with a package of tax relief for victims of Hurricanes Harvey, Irma, and Maria. Left out in the cold were the victims of the 2017 California wildfires. They got no relief. The new Act remedies this omission by including tax relief provisions for these taxpayers, mirroring those put in place last year for the hurricane victims. Provisions include additional access to retirement funds, relief from the 10% early distribution penalty and the 20% withholding rule, repayment of certain distributions, and an increase in the plan loan limit.

Any employer plan wishing to take advantage of these changes will need to be amended. IRA owners can take advantage of the additional distribution rules. These additional rules are as follows:

- **Qualified Wildfire Distributions:** An individual who had his or her principle residence in the California wildfire disaster area, and who sustained economic loss due to the wildfires, is eligible to take a distribution from an employer plan or IRA. The distribution must be made from October 8, 2017 to December 31, 2018 and cannot exceed $100,000.
- **10% Early Withdrawal Penalty Relief:** The Act also provides that qualified wildfire distributions are not subject to the 10% early withdrawal penalty or the 20% withholding requirement. Moreover, the income can be included on their tax return ratably over a three-year period, and a taxpayer has three years to recontribute those funds back to a plan or IRA.

  Example 1: Susan and Pedro, both age 35, are married and live in California in an area declared a disaster area after the wildfires. Their home suffered severe fire damage. On January 10, 2018, Susan takes a $100,000 qualified wildfire distribution from her IRA, and Pedro takes a $100,000 qualified wildfire