



# THE Pension Digest

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## IRA Contribution Limit for 2025 - No Increase

On November 1, 2024, the IRS announced the 2025 IRA and pension limits. These are set forth in Notice 2024-80. The inflation rate year over year for the quarter ending September 30, 2024 was 2.4%.

The IRA contribution limit (traditional and Roth) for 2025 remains at \$7,000. So, the maximum contribution limit will be \$7,000 for an individual under age 50 and \$8,000 for an individual age 50 or older.

The income limits applying to making a deductible contribution increased as did the Roth IRA eligibility limits. More individuals who are active participants will be eligible to claim a tax deduction for their traditional IRA contribution and more individuals will be eligible to make a Roth IRA contribution.

The limits for SEP-IRAs, and SIMPLE-IRAs plans also increased. The maximum SEP-IRA contribution limit will be \$70,000 up from

\$69,000. The deferral limits for SIMPLE-IRAs also increased.

### IRA Contribution limits for a person who is not age 50 or older.

Tax Year	Amount
2008-12	\$5,000
2013-18	\$5,500
2019-22	\$6,000
2023	\$6,500
2024-25	\$7,000

### IRA Contribution Limits for a person who is age 50 or older.

Tax Year	Amount
2008-12	\$6,000
2013-18	\$6,500
2019-22	\$7,000
2023	\$7,500
2024-25	\$8,000

## IRS Issues 2025 IRA/Pension Limits

### IRS Announces Cost-of-Living Adjustments for 2025

The IRS in Notice 2024-80 Released its 2024 Adjustments as follows:

	2023	2024	2025
Taxable Wage Base — OASDI Only	\$160,200	\$168,600	\$176,100
SEP and Qualified Plan			
Maximum Compensation Cap – 401(a)(17), 408(k), 404(e)	\$330,000	\$345,000	\$350,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	\$22,500	\$23,000	\$23,500
Elective Deferral Catch-up Limit for 401(k)	\$7,500	\$7,500	\$7,500
SIMPLE Deferral Limit – 408(p)(2)(A)	\$15,500	\$16,000	\$16,500
SIMPLE Catch-up Limit	\$3,500	\$3,500	\$3,500
Highly-Compensated Employees (Compensation as Indexed)	\$150,000	\$155,000	\$160,000
Defined Benefit Limit – Section 415(b)(1)(A)	\$265,000	\$275,000	\$280,000
Defined Contribution Limit – Section 415(c)(1)(A)	\$66,000	\$69,000	\$70,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	\$750	\$750	\$750
Key Employee Top Heavy — 41(i)(ii)(a)(i)	\$215,000	\$220,000	\$230,000
Qualified Charitable Distribution Limit	\$100,000	\$105,000	\$108,000
One-time QCD to Split Interest Entity Limit	\$50,000	\$53,000	\$55,000

## IRA Contribution Deductibility Chart for 2024

(for participants and/or spouses in  
employer-sponsored retirement plans.)

### Amount of Modified AGI - (Combined modified AGI if married)

#### Single or Head of Household

Below \$77,000 or less	Entitled to full deduction
\$77,001-\$86,999.99	Entitled to prorated deduction amount - use special formula**
\$87,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$77,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married - joint return, both are covered or qualifying widower

Below \$123,000 or less	Entitled to full deduction
\$123,001 - \$142,999.99	Entitled to prorated deduction amount - use special formula**
\$143,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$123,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married -

##### joint return, but only you are covered or qualifying widower

Below \$123,000 or less	Fully Deductible
\$123,001-\$142,999.99	Entitled to prorated deduction amount - use special formula**
\$143,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$123,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married - joint return, but only your spouse is covered

Below \$230,000 or less	Fully Deductible
\$230,001-\$239,999.99	Entitled to prorated deduction amount - use special formula**
\$240,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$230,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.\* A special rule provides that a married individual is not considered Married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

\*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

## IRA Contribution Deductibility Chart for 2025

(for participants and/or spouses in  
employer-sponsored retirement plans.)

### Amount of Modified AGI - (Combined modified AGI if married)

#### Single or Head of Household

Below \$79,000 or less	Entitled to full deduction
\$79,001-\$88,999.99	Entitled to prorated deduction amount - use special formula**
\$89,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$79,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married - joint return, both are covered or qualifying widower

Below \$126,000 or less	Entitled to full deduction
\$126,001 - \$145,999.99	Entitled to prorated deduction amount - use special formula**
\$146,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$126,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married -

##### joint return, but only you are covered or qualifying widower

Below \$126,000 or less	Fully Deductible
\$126,001-\$145,999.99	Entitled to prorated deduction amount - use special formula**
\$146,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$126,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married - joint return, but only your spouse is covered

Below \$236,000 or less	Fully Deductible
\$236,001-\$245,999.99	Entitled to prorated deduction amount - use special formula**
\$246,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$236,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.\*

#### Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

\*\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.\* A special rule provides that a married individual is not considered Married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

\*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

## Roth IRA Contribution Chart for 2024

Amount of AGI and Filing Status

### Single, Head of Household or Qualifying Widow(er)

Below \$146,000	Entitled to full contribution amount
\$146,000-\$160,999.99	Entitled to prorated contribution amount - use special formula*
\$161,000 or more	No contribution permissible

\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$146,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

### Married Filing Jointly

Below \$230,000	Entitled to full contribution amount.
\$230,000-\$239,999.99	Entitled to prorated contribution amount - use special formula*
\$240,000 or more	No contribution permissible.

\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$230,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

### Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00. If your filing status is Married Filing Separately, you are eligible to make a Roth IRA contribution as if your filing status was Single, as long as you did not live with your spouse at any time during the year.

## Roth IRA Contribution Chart for 2025

Amount of AGI and Filing Status

### Single, Head of Household or Qualifying Widow(er)

Below \$150,000	Entitled to full contribution amount
\$150,000-\$164,999.99	Entitled to prorated contribution amount - use special formula*
\$165,000 or more	No contribution permissible

\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$146,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

### Married Filing Jointly

Below \$236,000	Entitled to full contribution amount.
\$236,000-\$245,999.99	Entitled to prorated contribution amount - use special formula*
\$246,000 or more	No contribution permissible.

\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$230,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

### Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

\*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00. If your filing status is Married Filing Separately, you are eligible to make a Roth IRA contribution as if your filing status was Single, as long as you did not live with your spouse at any time during the year.

## SEP and SIMPLE Limits

	2022	2023	2024	2025
Maximum SEP Contribution	\$61,000	\$66,000	\$69,000	\$70,000
Maximum SIMPLE Deferral (Under age 50)	\$14,000	\$15,500	\$16,000	\$16,500
Maximum SIMPLE Deferral (Age 50 & older)	\$17,000	\$19,000	\$19,500	\$20,000

\*Refer to page 11 for an article discussing the special contribution limits for SIMPLE-IRAs.

## Saver's Credit Limits for 2024

The applicable percentage for 2024 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

<u>Joint Return</u>		
<u>AGI Over</u>	<u>AGI Not Over</u>	<u>Percentage</u>
\$0	\$46,000	50%
\$46,000	\$50,000	20%
\$50,000	\$76,500	10%
\$76,500	N/A	0%

<u>Head of Household</u>		
<u>AGI Over</u>	<u>AGI Not Over</u>	<u>Percentage</u>
\$0	\$34,500	50%
\$34,500	\$37,500	20%
\$37,500	\$57,375	10%
\$57,375	N/A	0%

### Other Filers Single, Qualifying Widow(er) & Married, Filing Separately

<u>AGI Over</u>	<u>AGI Not Over</u>	<u>Percentage</u>
\$0	\$23,000	50%
\$23,000	\$25,000	20%
\$25,000	\$38,250	10%
\$38,250	N/A	0%

## Saver's Credit Limits for 2025

The applicable percentage for 2025 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

<u>Joint Return</u>		
<u>AGI Over</u>	<u>AGI Not Over</u>	<u>Percentage</u>
\$0	\$47,500	50%
\$47,500	\$51,000	20%
\$51,000	\$79,000	10%
\$79,000	N/A	0%

<u>Head of Household</u>		
<u>AGI Over</u>	<u>AGI Not Over</u>	<u>Percentage</u>
\$0	\$35,625	50%
\$35,625	\$38,250	20%
\$38,250	\$59,250	10%
\$59,250	N/A	0%

### Other Filers Single, Qualifying Widow(er) & Married, Filing Separately

<u>AGI Over</u>	<u>AGI Not Over</u>	<u>Percentage</u>
\$0	\$23,750	50%
\$23,750	\$25,500	20%
\$25,500	\$39,500	10%
\$39,500	N/A	0%

## New RMD Deadline Applies To IRA Beneficiaries

When an IRA accountholder dies and he or she had not withdrawn their RMD for that year the IRA beneficiary or IRA beneficiaries are required to withdraw that RMD. The IRA funds now belong to the beneficiary(ies). The RMD cannot be distributed to the person's checking account or to their estate unless the IRA plan agreement or the IRA beneficiary designated form expressly provided for such a result.

The final regulation has revised the rule to be - the RMD for the year the IRA accountholder dies is December 31 of the following year. The old rule was - if the IRA accountholder died in 2024, then the beneficiary had the RMD deadline of December 31, 2024. The new RMD deadline is December 31, 2025.

This new deadline helps the beneficiary and it also helps the IRS. The IRS no longer will have to process requests by beneficiaries to waive the RMD tax because the IRA accountholder had died late in the year and that is why the beneficiary missed the deadline for withdrawing the RMD.

Set forth below is an email discussing this new rule.

Q-1. We have a customer who passed away who was taking RMD and her 3 children are the current beneficiaries of the Traditional IRA.

The three children will need to have the money disbursed to them by or on December 31 of the 10th year 2034 .

Since the mother was taking RMDs, are the children required to take RMDs?

A-1. The duty to take an RMD switches upon the death of an IRA accountholder.

Had she taken all of her 2024 RMD prior to her death? If not, the remaining amount for 2024 needs to be distributed to the children. The 10 year rule applies to the children starting in 2025 (the year following the death).

The children now have the duty to withdraw this RMD amount. The deceased IRA accountholder or her estate does not have the ability or the right to withdraw the remaining RMD.

The final regulation authorized that her RMD for the year of death may be satisfied by just one of the beneficiaries .

The final regulation has changed the deadline for withdrawing the RMD. Under the old rules the deadline would have been 12/31/2024. Under the final regulation the dead line has been changed to be 12/31 of the year after the IRA accountholder died which is 12/31/2025 .

The final regulations provides for a later deadline than the proposed regulation which had the deadline as 4/15/2025 (plus extensions).

The reason for the change - the IRS wanted a system which simplified their administrative duties. If an IRA accountholder died in November or December, many beneficiaries failed to take the RMD by 12/31 of the year of death , and technically owed the RMD tax.

However, the IRS has the authority (maybe the duty) to waive the RMD tax when a beneficiary requests the IRS to waive and has a good reason. The fact the death occurred late in the year is a good reason.

## Upcoming 2025 IRA Furnishing & Filing Deadlines for 2024 Reporting

FMV IRA Statement to IRA Owners and Beneficiaries	1/31/2025
Form 1099-R IRA Distributions to IRA Owners and Beneficiaries	1/31/2025
Form 1099-R IRA Distributions to IRS If File on Paper	2/28/2025
Form 1099-R IRA Distributions to IRS If File Electronically	3/31/2025
RMD Notice to IRA Owners Age 73 or Older in 2025	1/31/2025
Form 5498 (IRA Contributions to IRA Owners and Beneficiaries)	5/31/2025
Form 5498 (IRA Contributions to IRS)	5/31/2025



## CWF's Email Guidance – IRA Beneficiaries

Q-1. I have a customer who is wanting to transfer their inherited IRA over to ABC Bank, the mother passed away in 2003 (age at death 83) and I am getting paperwork ready for the son to sign. I know I have to follow old rules since death was prior to 2019, I am working on form #204 and #56, I am looking at the area where it states about Required Beginning Date: April 1, my question is do I figure year as of when the deceased would have turned 70½ since I am following old rules, or still figure when they would have turned 73 years old (new rules). This area is a bit confusing at times.

A-1. The general rule is when the beneficiary is using the life distribution rule determine the age of the beneficiary (the son) in the year following the year the IRA died and also his divisor. This was 2004.

The IRA owner died after her required beginning date so he is using the life distribution rule. He is able to continue his RMD schedule because he has been grandfathered by the SECURE Act. He is an EDB . For years after the first year subtract 1.0 for each elapsed year.

How old was he in 2004 . What's his date of birth?

As an example, I will assume he was age 55 in 2004. The divisor from the old single life table was 29.6. The IRS issued a new life expectancy table in 2021 and the IRS has instructed the initial divisor of 29.6 is to be reset to be 31.6. The IRS is allowing a beneficiary to benefit from the new life expectancy table. These new tables have not been adjusted for COVID.

RMD Year	Old Divisor	New Divisor
2004	29.6	Reset to 31.6
2005	28.6	30.6 (not used)
2006	27.6	29.6 (not used)
2007	26.6	28.6 (not used)
2008	25.6	27.6 (not used)
2009	24.6	26.6 (not used)
2010	23.6	25.6 (not used)
2011	22.6	24.6 (not used)

2012	21.6	23.6 (not used)
2013	20.6	22.6 (not used)
2014	19.6	21.6 (not used)
2015	18.6	20.6 (not used)
2016	17.6	19.6 (not used)
2017	16.6	18.6 (not used)
2018	15.6	17.6 (not used)
2019	14.6	16.6 (not used)
2020	13.6	15.6 (not used)
2021	12.6	14.6 (not used)
2022	NIA	13.6
2023	NIA	12.6
2024	NIA	11.6
2025	NIA	10.6

His RMD divisor for 2024 is 11.6 and it is 10.6 for 2025.

If the divisor has not been reset the RMD amount as calculated was larger than it should have been .

Q-1A, So I am pretty sure the other bank never changed to the new LEF divisor because the RMD for 2024 is coming out exactly to the old LEF. Do I correct this on ABC Bank side now or do I have to follow what they went with for the rest of the duration with ABC Bank (which I know is not the correct LEF divisor)?

A-1A. The correct RMD calculation is based on the new LE table .

If the 2024 RMD has not been withdrawn yet, then the correct amount can be withdrawn or distributed by ABC Bank by 12/31/2024. ABC Bank does not need to continue what the other institution was doing .

The son should complete CWF Form 204G and instruct that he wishes to withdraw only the RMD each year. Or, he can complete the form to indicate he wishes to withdraw a larger amount.

His mother died well after her required beginning date. You indicate that she was 83 in 2003 when she died. You did not indicate her date of birth. I will assume it was in 1920 and that she attained age 70½ in 1990 and that her required beginning date was 4/1/1991.

**Continued on page 6**

IRA Beneficiaries,  
Continued from page 5

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It is important to know if an IRA accountholder has died before or after the required beginning date.

We will be revising the section of the Form 56i which you highlighted. We will replace “have attained age 73” with “have attained the applicable RMD age.” This can either be age 70½, 72, 73 or age 75.

A person’s required beginning date is the April 1 of the year following:

1. the year a person attains age 70½ if born before 7/1/1949;
2. the year a person attains age 72 if born during the period of 7/1/1949 to 12/31/1950;
3. the year a person attains age 73 if born during the period of 1951-1958; and
4. the year a person attains age 75 if born on or after January 1, 1960.

The law must be corrected for those born in 1959 as the current law is unclear whether the RMD age is age 73 or 75. It appears that Congress will adopt age 73.

Q-2. I have a couple of questions on IRAs.

If a customer has passed and not yet taken their RMD do we pay it out to the beneficiary? One of my customers has a checking account with us so I could deposit it into the checking account, but the other does not.

I am under the impression when the account holder has passed the beneficiary has to do something with the funds before year-end, is that correct?

A-2. You are correct. The beneficiary has the duty to withdraw the remaining RMD for the year the IRA accountholder dies if the IRA accountholder had not totally withdrawn that RMD amount. That RMD should not be distributed to the person’s checking account or the estate’s checking account.

It would be best if the withdrawal occurs by December 31. It used to be that the beneficiary owed the RMD tax if that RMD was not withdrawn by December 31. The IRS in its final RMD regulation has extended the deadline into the following year.

Q-3. I have a customer Kathy who was born in 1955 and died in 2024 and she inherited an IRA from Margaret in 2003.

Kathy named her husband William as her beneficiary.

My question is, can William treat this as his own if he chooses to or does it have to stay an Inherited IRA?

A-3. William does not have the right to treat Kathy’s inherited IRA as his own IRA or his own inherited IRA. William has this right only with respect to Kathy’s own IRA (not as a beneficiary).

Upon the death of Kathy, William will continue the RMD schedule applying to Kathy and he must close the inherited IRA at the end of 10 years. He is allowed in any year to withdraw more than the RMD.

Q-4. I have a customer that has passed away and has two Roth IRAs per request of her accountant. Her 2 children are the beneficiaries of both of the Roth IRAs, 50/50. Do I need to do separate inherited Roth IRAs or can they be combined? And do I need to do a RMD for each as well?

A-4. A beneficiary of two IRAs of the same type may be combined. Technically the beneficiary should instruct or agree to combine the two. It simplifies the administration.

Since the Roth IRA accountholder was not subject to any RMD rules she is considered to have died before her required beginning date. The two children are not EDBs so the 10-year rule applies. Each beneficiary is required to close the inherited Roth IRA by 12/31/2034. For purposes of the RMD tax there are no RMDs for years 2025-2033. There is an RMD for 2034.

I would think most beneficiaries would not withdraw any amount until 2034 because the inherited Roth IRA will earn tax-free income. Of course, a person may want to use the funds immediately and so will withdraw the funds for that reason.

IRA Beneficiaries,  
Continued from page 6

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Q-5. Here's something I've never been asked before! Here are my facts.

We have an individual with an Inherited Traditional IRA.

Original Owner death was Pre-SECURE (06/07/2019)

Original Owner died post RBD

He is taking RMDs over his lifetime

He is not working so does NOT have w2 income so cannot CONTRIBUTE to a Roth DOB: 11/19/1967

He is inquiring if he can convert his Inherited IRA into a Roth

- 1) Is this possible?
- 2) If so, will it need to be a similar Inherited Roth IRA (with similar RMD schedule) or can he convert to an individual Roth?
- 3) If so, is there a dollar limit?
- 4) If so, what forms do I use?

A-5. Is the beneficiary a spouse or non-spouse?

I assume a non-spouse. A non-spouse beneficiary is ineligible to convert these funds to a Roth IRA or an inherited Roth IRA.

If he is a spouse beneficiary, he could elect to treat his deceased spouse's IRA as his own or do a rollover and then he could do a conversion.

Q-6. I took an RMD training webinar and understand the following.

I hope I included all pertinent information so you can fully answer, it's so complicated!

Do you agree with the following statements?

Situation 1

- Post SECURE ACT death of original IRA owner
- Owner died BEFORE their RBD
  - i. Include ALL ROTH IRAs since there is not a RBD for Roth IRAs
- Beneficiary is a Non-Eligible Designated Beneficiary
- There is NO annual RMD Requirement, only the 10-year rule.

Situation 2

- Post SECURE ACT death of original IRA owner
  - Owner died AFTER their RBD
  - Beneficiary is a Non-Eligible Designated Beneficiary
  - Beneficiary is required to take an annual RMD, and also required to distribute the IRA within 10 years
- Post SECURE original owner death Inherited IRAs - IRS has waived RMD requirement for 2024.

A-6. I agree with your summary, but I analyze it a little differently.

There are basically 3 beneficiary situations for a non-EDB.

1. Traditional IRA owner dies before her RBD. The non-EDB must use the 10-year rule. There is no requirement to take any RMD for years 1-9. The IRA must be closed by 12/31 of the 10th year.
2. Traditional IRA owner dies on or after her RBD. The non-EDB must take her RMD for years 1-9 and the inherited IRA must be closed by 12/31 of the 10th year.
3. Roth IRA owner dies at any age. She is considered to have died before her RBD because a Roth owner has no RBD.

As with situation 1, the non-EDB must use the 10-year rule. There is no requirement to take any RMD for years 1-9. The Roth IRA must be closed by 12/31 of the 10th year.

A Roth IRA beneficiary taking a distribution in any year before year 10 is only hurting herself by reducing the amount of tax-free income which could be earned.

The IRS has extended to 2024 the tax relief it had granted for certain 2021-2023 RMDs. I am being technical - the IRS has not waived the RMD requirement for any of the years 2021-2024, the IRS has stated it won't seek to collect the tax penalties which it has the right to assess. I admit to not understanding why the IRS has adopted this approach rather than using a waiver approach.

## **IRS Issues Disaster Relief - Tax Deadlines Postponed Until 9/30/2025 For Terroristic Actions Against The State Of Israel**

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The IRS issued Notice 2024-72 discussing the special relief the IRS is granting any victims for terroristic actions against Israel. The IRS has concluded that the terroristic activity against the State of Israel meets the definition of terroristic activity as defined in Code section 692(c)(2). The IRS has postponed for affected individuals the due dates for most tax transaction occurring in 2023 and 2024 until September 30, 2025.

The covered area is - State of Israel, the West Bank or Gaza.

With respect to IRA transactions, an affected individual will have 9/30/2025 as the extended deadline for:

1. filing her or his tax return for 2023 and/or 2024;
2. establishing a new IRA;
3. making an annual contribution for tax years 2023 or 2024;
4. completing a rollover contribution;
5. withdrawing any RMD;
6. withdrawing any excess contribution;
7. making a QCD;
8. making a qualified HSA funding distribution/HSA contribution; or
9. making SEP-IRA or SIMPLE-IRA contributions.

IRA custodians/trustees should be ready to process correctly any postponed contributions.

## **IRS Issues Disaster Relief - Tax Deadlines Postponed Until 5/1/2025 For Victims Of Hurricane Helene**

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The IRS issued News Release 2024-53 on October 1, 2024 discussing the special relief the IRS is granting the disaster victims of Hurricane Helene, a category 4 hurricane. The IRS has postponed the due dates for most tax 2024 transactions until May 1, 2025.

The covered area is - the entire states of Alabama, Georgia, North Carolina and South Carolina and parts of Florida, Tennessee and Virginia.

This currently Includes 41 counties In Florida, eight counties in Tennessee and six counties and one city in Virginia.

With respect to IRA transactions, an affected individual will have 5/1/2025 as the extended deadline for:

1. filing her or his tax return for 2023 and/or 2024;
2. establishing a new IRA;
3. making an annual contribution for tax years 2023 or 2024;
4. completing a rollover contribution;
5. withdrawing any RMD;
6. withdrawing any excess contribution;
7. making a QCD;
8. making a qualified HSA funding distribution/HSA contribution; or
9. making SEP-IRA or SIMPLE-IRA contributions.

IRA custodians/trustees should be ready to process correctly any postponed contributions.



## Helping An IRA Accountholder Make A QCD To A Charitable Gift Annuity Or A Charitable Remainder Trust

Prior to SECURE Act 2.0 the law did not authorize an IRA accountholder to make a QCD by funding a charitable gift annuity or a charitable remainder trust. These entities were not eligible qualifying charities.

The law now permits an IRA accountholder once in their lifetime to have \$50,000 withdrawn from their IRA and used to fund a charitable gift annuity or a charitable remainder trust. The \$50,000 limit is increased by a COLA adjustment factor. The limit for 2024 is \$53,000. It is estimated this limit will increase to \$55,000 for 2025.

A person making a QCD may receive two tax benefits. The amount withdrawn is excluded from the income of the IRA accountholder and it may satisfy some or all of the IRA accountholder's RMD for that year.

A person who has a charitable gift annuity or a charitable remainder trust is able to have a certain amount of income paid to them each year for a set time period, then whatever amount remains goes to a charity. The following rules must be met.

1. The income payments may only be paid to the IRA accountholder or the IRA accountholder and his or her spouse. The IRA accountholder is to include this income in his or her taxable income and it is taxed as ordinary income.
2. The income payments must begin within one year.
3. The charitable gift annuity or a charitable remainder trust cannot be funded with other contributions or gifts. Spouses are able to fund the same charitable remainder trust.

A IRA custodian/trustee will issue the check to the issuer of the charitable gift annuity or the charitable remainder trust.

As with other QCDs the Form 1099-R is not prepared to indicate the IRA accountholder made a QCD. It is prepared indicating the IRA accountholder has withdrawn a distribution which is taxable. The IRA accountholder must complete his or her tax return explaining why it is not taxable.

The IRA accountholder has the duty to determine that he or she has met the requirements so that the \$53,000 being remitted to the charitable gift annuity or a charitable remainder trust qualifies as a QCD. CWF has prepared a certification for an IRA accountholder to complete.

## Cost-of-Living Adjustment (COLA) Information for 2025

Social Security and Supplemental Security Income (SSI) benefits for more than 72.5 million Americans will increase 2.5 percent in 2025.

The 2.5 percent cost-of-living adjustment (COLA) will begin with benefits payable to nearly 68 million Social Security beneficiaries in January 2025. Increased payments to nearly 7.5 million SSI recipients will begin on December 31, 2024. (Note: some people receive both Social Security and SSI benefits)

The maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$176,100.

The earnings limit for workers who are younger than "full" retirement age (see Full Retirement Age Chart) will increase to \$23,400. (We deduct \$1 from benefits for each \$2 earned over \$23,400.)

The earnings limit for people reaching their "full" retirement age in 2025 will increase to \$62,160. (We deduct \$1 from benefits for each \$3 earned over \$62,160 until the month the worker turns "full" retirement age.)

There is no limit on earnings for workers who are "full" retirement age or older for the entire year.

## 2025 SOCIAL SECURITY CHANGES

**Cost-of-Living Adjustment (COLA):** Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2023 through the third quarter of 2024, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 2.5 percent COLA for 2025. Other important 2025 Social Security information is as follows:

Tax Rate	2024	2025
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

**NOTE:** The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount (see below). The Medicare portion (HI) is 1.45% on all earnings. Also, as of January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9 percent in Medicare taxes. The tax rates shown above do not include the 0.9 percent.

	2024	2025		2024	2025
<b>Maximum Taxable Earnings</b>			<b>Maximum Social Security Benefit: Worker Retiring at Full Retirement Age</b>		
Social Security (OASDI only)	\$168,600	\$176,100		\$3,822/mo.	\$4,018/mo.
Medicare (HI only)	No Limit		<b>SSI Federal Payment Standard</b>		
<b>Quarter of Coverage</b>	\$1,730	\$1,810	Individual	\$943/mo.	\$ 67/mo.
<b>Retirement Earnings Test Exempt Amounts</b>			Couple	\$1,415/mo.	\$1,450/mo.
Under full retirement age	\$22,320/yr. (\$1,860/mo.)	\$23,400/yr. (\$1,950/mo.)	<b>SSI Resource Limits</b>		
NOTE: One dollar in benefits will be withheld for every \$2 in earnings above the limit			Individual	\$2,000	\$2,000
			Couple	\$3,000	\$3,000
			<b>SSI Student Exclusion</b>		
	<b>2024</b>	<b>2025</b>	Monthly limit	\$2,290	\$2,350
The year an individual reaches full retirement age	\$59,520/yr.	(\$4,960/mo.)	Annual limit	\$9,230	\$9,460
	\$62,160/yr.	(\$5,180/mo.)	<b>Estimated Average Monthly Social Security Benefits Payable in January 2025</b>		
NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.			Before	After	
Beginning the month an individual attains full retirement age	None	None	All Retired Workers	2.5% COLA	2.5% COLA
				\$1,927	\$1,976
	<b>2024</b>	<b>2025</b>	Aged Couple, Both Receiving Benefits	\$3,014	\$3,089
<b>Social Security Disability Thresholds</b>			Widowed Mother and Two Children	\$3,669	\$3,761
Substantial Gainful Activity (SGA)			Aged Widow(er) Alone	\$1,788	\$1,832
Non-Blind	\$1,550/mo.	\$1,620/mo.	Disabled Worker, Spouse and Children	\$2,757	\$2,826
Blind	\$2,590/mo.	\$2,700/mo.	All Disabled Workers	\$1,542	\$1,580
Trial Work Period (TWP)	\$1,110/mo.	\$1,160/mo.			

## IRS Expands Preventive Care Benefits for HSA Owners IRS Notice 2024-75

We are sending this email to inform you that the IRS has issued tax guidance which will benefit some HSA owners. It does not directly impact the duties of an HSA custodian/trustee.

An HSA owner must have a qualifying HDHP. The law permits that this HDHP be amended by adding preventive care coverage. In some cases, an HDHP must provide preventive care coverage. An HDHP then provides preventive care benefits to the HSA owner without the person having met the minimum annual deductible.

The issuers of HDHPs will be revising their health plans because of Notice 2024-75.

The IRS is expanding what medical products and services qualify as preventive care.

This obviously is a tax issue for your HSA customers. It is not a primary concern of an HSA custodian/trustee.

The IRS has determined or clarified that the following products and services will qualify as preventive care benefits which the HDHP may pay even though the deductible requirement has not been met:

1. over-the-counter (OTC) contraceptives and male condoms;
2. all types of breast cancer screening as long as not previously diagnoses with breast cancer;
3. certain continuous glucose monitors; and
4. the new safe harbor for certain insulin products if prescribed to treat an individual diagnosed with diabetes or for the purpose of preventing the exacerbation of diabetes or the development of a secondary condition.

This new guidance is effective for plan years or policy years that begin on or after December 31, 2022.

## SIMPLE-IRA Limits For 2024 and 2025

The SECURE 2.0 adopted a number of special provisions for participants of SIMPLE-IRA plans and 401(k) plans. This article discusses the special changes for SIMPLE-IRA plans.

For 2024 a person with sufficient compensation under the age of 50 is permitted to make elective deferrals of \$16,000. If an employer has less than 25 eligible employees this limit is automatically increased to be \$17,600.

For 2024 a person with sufficient compensation age 50 or older is permitted to make elective deferrals of \$19,500. If an employer has less than 25 eligible employees this limit is automatically increased to be \$21,450.

An employer with 25 or more eligible employees must amend its plan to allow the higher deferral amount and the employers matching contribution must be 4% of compensation or it must make a nonelective contribution of 3% of compensation.

For 2025 a person with sufficient compensation under the age of 50 is permitted to make elective deferrals of \$16,500. If an employer has less than 25 eligible employees the \$17,600 limit does not change or increase.

For 2025 a person with sufficient compensation age 50 or older age of 50 is permitted to make elective deferrals of \$20,000. If an employer has less than 25 eligible employees the \$21,450 limit does not change or increase.

An employer with 25 or more eligible employees must amend its plan to allow the higher deferral amount and the employers matching contribution must be 4% of compensation or it must make a nonelective contribution of 3% of compensation.

Commencing in 2025 a person age 60, 61, 62 or 63 may defer an alternative amount of \$5,250 rather than the limit of \$3,500 or the limit of \$3,850 (\$3,500 x 110%), This is not in addition, but is an alternative limit.

## **Notice 2024-77 IRS Guidance On Inadvertent Benefit Overpayments and Excess IRA Contributions**

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There are times when an employer sponsored retirement plan will overpay a participant. The general rule is - the plan trustee has the fiduciary duty to recover the amount the person was not entitled to be paid.

How does this impact an IRA custodian/trustee? Your financial institution may have an IRA accountholder who has made an excess IRA contribution because he or she was overpaid by their pension plan, 401(k), profit sharing plan, etc. The individual will need to correct that situation by withdrawing the excess amount (plus any earnings). An IRA accountholder may initially not even be aware that she or he was overpaid.

Prior to the SECURE ACT 2.0, a person who was distributed more than he or she should have been will have an excess IRA contribution if he or she directly rolled over or rolled over the entire distribution. A plan sponsor had the right under Rev. Proc. 2021-30 to not try to recoup the overpayment. Then the plan sponsor was required to contribute to the plan an amount equal to the overpayment. In addition, the plan sponsor had the duty to inform the person in writing that he or she had received an overpayment and that amount was ineligible to be rolled over.

The SECURE Act 2.0 added Code section 402(c)(12). It defines that certain inadvertent benefit overpayments will qualify as an eligible rollover distribution and as such there will not be an excess IRA contribution. That special tax treatment is provided to the portion of the overpayment to which the plan sponsor does not seek reimbursement. However, if the plan sponsor does NOT seek to recoup the overpayment, that overpayment is entitled to be rolled over and the plans making and receiving the transfer are treated as permitting the transfer.

So, a plan sponsor is generally no longer required to make a corrective payment for an overpayment. The IRS, however, makes it clear that if another plan failure occurs as a result of the overpayment, then the employer will have the duty to make a correcting contribution. For example, if the overpayment to one participant

results in a smaller allocation to the other participants the employer will need to make a correcting calculation.

Since Code section 402(c)(12) defines certain overpayments as eligible to be rolled over, such amounts are not an excess contribution and are not subject to the 6% excise tax.

The law remains - if the plan sponsor seeks reimbursement from the participant who was overpaid, that participant is to be notified that the overpayment is not eligible to be rolled over. Consequently, if it was impermissibly rolled over it will be an excess contribution.

The IRS is requesting comments on the proposed rules set forth in this Notice 2024-77. Comments are to be submitted on or before December 16, 2024 and should include a reference to Notice 2024-77.