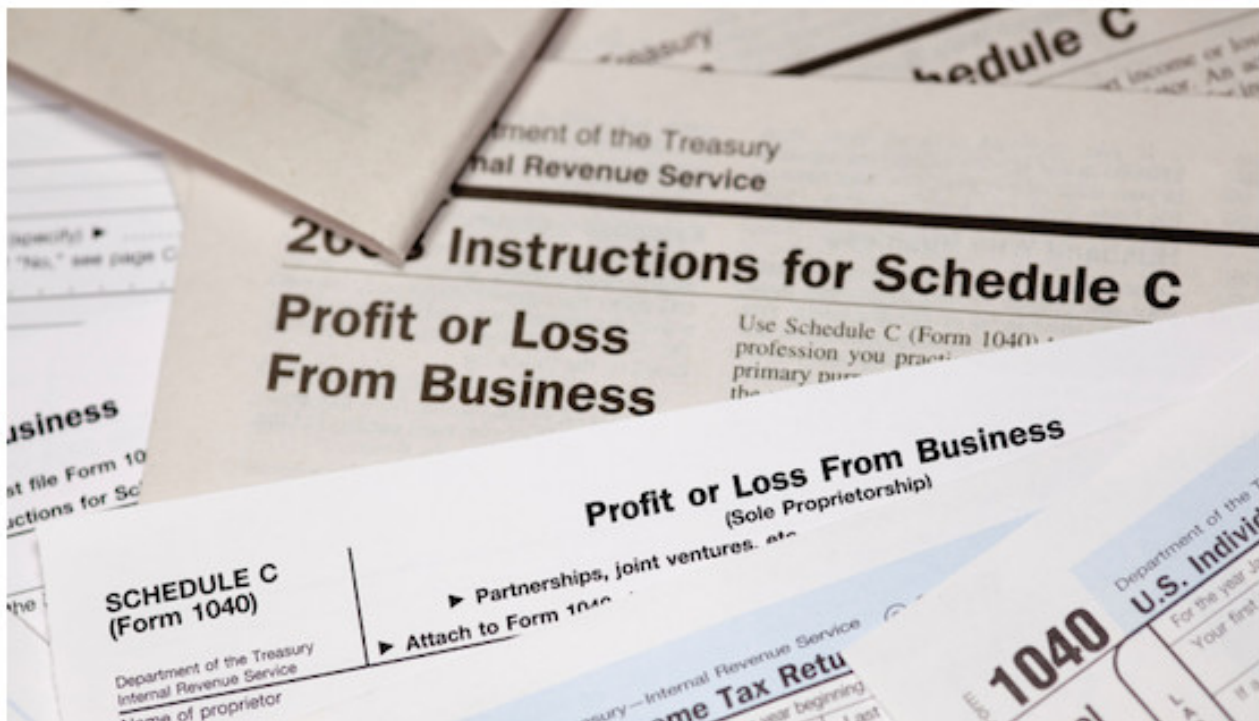


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Sep. 16, 2020



Generally, if you make withdrawals from a traditional IRA before age 59½, you must pay a 10% penalty tax, in addition to the regular income tax. However, the tax law has created a number of special exceptions.

Know the ABCs. If you tap into your IRA to pay for qualified education expenses, you can avoid the usual 10% penalty. In a new case, a taxpayer in the midst of a contentious divorce withdrew over \$50,000 from her IRA with the intention of paying her son's tuition and living expenses at college. But the Tax Court waived the penalty only for the \$30,000 that she paid directly to the college. She owes both the tax and penalty on the remainder (Seril, TC Memo 2021-101, 7/8/20)

Don't gamble on taxes. The 10% penalty doesn't apply if you withdraw funds

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10% penalty tax for reasons relating to the COVID-19 pandemic. The CARES Act provision kicks in for individuals who have been diagnosed with the coronavirus or have experienced adverse financial consequences as a result of being laid off, having work hours reduced or being quarantined or furloughed due to COVID-19. Currently, this exception is scheduled to end after 2020.

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