

IRS Issues Guidance on 2020 Waiver of Required Minimum Distributions

Key Points

- Participants in defined contribution retirement plans, such as 401(k), 401(a), 403(b), or governmental 457(b) plans, can skip their required minimum distribution (RMD) payments for 2020.
- If RMDs for 2020 have already been received, participants have until August 31, 2020 to rollover the RMD into an eligible retirement plan.
- The IRS issued sample plan amendments that employers may adopt to give participants and beneficiaries a choice as to whether or not to receive their 2020 RMD, and FAQs covering details of the 2020 RMD waiver.

In late June, the IRS issued [Notice 2020-51](#) about the waiver of RMDs for 2020 under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act allowed a participant in a defined contribution plan, including a 401(k), 401(a), 403(b), or governmental 457(b) plan, or an IRA, to skip their RMD for 2020. The waiver is available for all participants, including those who turned age 70 1/2 in 2019 and would have had to take the first RMD by April 1, 2020. The waiver does **not** apply to defined-benefit plans.

The IRS also clarified that if RMDs were already received in 2020, participants in defined contribution plans can rollover the amount already received into an eligible retirement plan. The amounts can be rolled over back into the same plan, provided the plan permits rollovers, and the rollover satisfies the rollover rules, taking into account the relief provided in the Notice. (Similar rules apply for repayment into an IRA by the owner or beneficiary.) In certain circumstances, that rollover treatment also can extend to a payment made in 2021 to a participant who has a required beginning date of April 1, 2021.

The 60-day indirect rollover period for any RMDs already received this year by defined contribution plan participants has been extended to August 31, 2020, to provide participants the opportunity to take advantage of the rollover opportunity. The guidance also indicates that repayments to IRAs will not be treated as rollovers for purposes of the one rollover per 12-month period limitation and the restriction on rollovers for inherited (non-

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spousal) IRAs, in order to facilitate repayment of previously received RMDs.

The Notice includes two sample amendments that employers can use to amend their plans to give plan participants and beneficiaries whose RMDs are waived for 2020 a choice as to whether or not to receive the waived RMD. The amendments are drafted in the format of pre-approved plans and would need to be modified for individually designed plans. If the plan is operated in accordance with an expected plan amendment, the actual amendment to the plan must be adopted no later than the last day of the plan year beginning in 2022 (or for governmental plans, 2024).

Finally, the IRS provided transition relief for plan administrators who may not have been able to make changes to their administrative systems in time to stop distribution of what would have been RMDs but for the changes made by the SECURE Act at the end of 2019, which extended the date when RMDs must begin from April 1 of the calendar year following the attainment of age 70 1/2 to April 1 of the calendar year following the attainment of age 72. Under the transition relief, the IRS said that these distributions are not required to be treated as eligible rollover distributions for purposes of Internal Revenue Code sections 401(a)(31), 402(f), and 3405(c). This means that plan administrators will not have to change the reporting and withholding treatment of those already made distributions in order to avoid penalties that might otherwise apply.

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