



SPECIAL REPORT

2020 Required Minimum Distribution (RMD) Rules for Individual Retirement Accounts (IRAs)

The IRS recently announced in Notice 2020-51 that taxpayers who already took a required minimum distribution (RMD) in 2020 from certain retirement accounts now have the opportunity to roll those funds back into a retirement account by August 31, 2020. The IRS has provided guidance on rollover opportunities, answers to frequently asked questions, and sample plan amendments for plan administrators following the Coronavirus Aid, Relief, and Economic Security (CARES) Act RMD waiver for 2020.

RMD rules. The CARES Act waives all RMDs for 2020, regardless of whether the taxpayer has been impacted by the pandemic. The waiver under the CARES ACT applies for calendar year 2020 to defined contribution plans, certain annuity plans, and traditional or Roth IRAs (the waiver does not apply to defined-benefit plans). The waiver allows seniors to hold on to their plan assets when they might otherwise have to sell at market lows. There may be an additional benefit of the waiver for taxpayers who turned 70 1/2 in 2019 and did not take their first required distribution in 2019. For those individuals who chose to wait until April 1, 2020 and had not yet taken the distribution at the time legislation was passed, they can waive both the 2019 and 2020 RMDs.

The required minimum distribution (RMD) rules prevent taxpayers from extending the tax benefit for retirement savings indefinitely. In general, a minimum required distribution must be made for the later of the year in which the participant turns 70 1/2 (or 72, if they have not reached 70 1/2 before 2020) or retires, and for every year thereafter. The required beginning date cannot be delayed until retirement if the participant is a five-percent owner of the employer, or if the account is an IRA. The distribution for the first year can be made as late as April 1 of the following year. For other years, the required distribution must be made during the calendar year.

Transition guidance. The IRS provided guidance in Notice 2020-51 on three items:

- 1. Rollover guidance.* The IRS is providing relief to allow taxpayers who receive certain distributions to roll them into an eligible retirement plan. This applies to distributions received in 2020 and in 2021 for employee with a required beginning date of April 1, 2021.
- 2. Permitted repayments of distributions previously received.* An IRA owner or beneficiary who has already received distributions from an IRA of an amount that would have been an RMD in 2020, the participant can repay the distribution to the IRA by August 31, 2020. This repayment is not subject to the one rollover per 12-month period limitation and the restriction on rollovers for inherited IRAs.
- 3. Plan amendments.* Two sample plan amendments are provided for employers to adopt to give to plan participants and beneficiaries whose RMDs are waived. Plan amendments must be adopted no later than January 1, 2022.

If you would like more information on the rollover and repayments of RMDs in 2020, and how this affects your personal tax situation, please call our office. We are here to assist you.