

## IRS Provides Additional 2020 RMD Rollover Relief

### Article Highlights:

- CARES Act Waiver of RMDs
- 60-Day Rollover Period Extension
- Further Rollover Relief
- RMDs in General
- Effect of Withholding on RMD Rollover
- One IRA Rollover per 12 Months Rule

The CARES Act waived required minimum distributions (RMDs) from IRAs and employer plans such as 401(k)s for 2020. However, the CARES Act was not passed until March 27, 2020 and after many individuals had already taken their RMD for 2020. Some of these retirees would not have taken the distributions if they would have known about the waiver.

That issue was originally alleviated when the federal government declared a coronavirus-related disaster that then enabled the IRS to extend numerous deadlines and due dates, including the rollover period for traditional IRAs and qualified employer plans such as 401(k)s. Accordingly, the IRS said that any 60-day rollover period that ended on or after April 1, 2020, and before July 15, 2020, was extended through July 15, 2020. This meant that distributions taken in January of 2020 weren't covered by this extended rollover period.

Normally, RMDs are not allowed to be rolled over, but because the CARES Act waives the requirement to take a 2020 distribution, these distributions are not treated as RMDs for 2020, but are considered distributions that are eligible to be rolled over.

The IRS in [Notice 2020-51](#) has now provided additional relief, including for those who took their RMD in January, by extending the normal 60-day rollover requirement and allowing individuals who took an RMD in 2020 to roll the RMD back into their IRA or retirement plan by no later than August 31, 2020. This means that if you took a distribution in 2020, you can roll it back (redeposit it) into the IRA or retirement plan and avoid being taxed on it in 2020, if you do so by August 31, 2020.

RMDs are required distributions from qualified retirement plans and are commonly associated with traditional IRAs, but they also apply to 401(k)s and SEP IRAs. The tax code does not allow taxpayers to indefinitely keep funds in their qualified retirement plans. Eventually, these assets must be distributed, and taxes must be paid on those distributions. If a retirement plan owner takes no distributions, or if the distributions are not large enough, then he or she may have to pay a 50% penalty on the amount that is not distributed.

The CARES Act RMD waiver applies to:

- The 2020 RMD for taxpayers who turned 70½ before 2020.
- The 2019 RMD for taxpayers who turned 70½ in 2019 and chose to defer their first distribution to 2020.
- The 2020 RMD for taxpayers who turned 72 in 2020.
- The RMDs for beneficiaries.

Be aware, however, that any part of the distribution from a traditional IRA or qualified retirement plan that you don't roll over will be taxed. This means that if federal and/or state income tax was withheld from the distribution and you want to roll over the gross amount of the distribution so none of it is taxable in 2020, you will need to use funds other than those from the distribution in order to fully roll it over. Regrettably, the withholding can't be refunded when you make the rollover. Instead, the withheld tax will be claimed as a credit on your 2020 return. In this case, your 2020 estimated tax installments

and/or withholding on other income can be adjusted.

The recent Notice also says that the IRS won't treat recontributing an RMD to an IRA as a rollover for purposes of the rule that only one IRA rollover per 12-month period is permitted.

Please call this office if you have any questions about RMDs and how rolling over an RMD you've already taken will impact your tax return.

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