

NEWS ALERT

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The IRS “CARES” About Your RMDs

By Patrick D. Coughlin | July 24, 2020

To the delight of many, the Coronavirus Aid, Relief, and Economic Security (CARES) Act waived 2020 Required Minimum Distributions (RMDs) for both owners and beneficiaries of defined-contribution retirement accounts, including IRAs, 401(k)s and/or 403(b) plans. However, as the CARES Act was enacted in late March 2020, a question immediately arose: what about those who already took their 2020 RMDs?

A taxpayer generally has 60 days from the date a retirement plan distribution is received to roll it over to another qualified plan without incurring a tax. The right to do that is limited, however, because (i) taxpayers may not roll over RMDs, (ii) taxpayers may only complete one rollover per 12-month period, and (iii) non-spouse beneficiaries of inherited retirement plans are simply barred from completing a rollover.

In [IRS Notice 2020-51](#), the IRS has provided relief for taxpayers who were otherwise ineligible to roll over their 2020 RMDs due to one of the limitations described above. In [IRS Notice 2020-51](#), the IRS authorized the rollover of RMDs by extending the rollover deadline to August 31, 2020. This allows taxpayers who had already taken their 2020 RMDs to roll the distribution into a retirement account, even if the 60-day rollover period has expired, in accordance with the CARES Act RMD waiver. However, this extension only applies to the RMDs, and not to any additional 2020 distributions from the retirement plan, unless the excess could have been rolled over via the normal rules, or a hardship exception may be demonstrated. Hardships include financial institution error in calculating the amount of the RMD or a personal hardship that rendered the taxpayer unable to timely complete the rollover. Moreover, if the taxpayer qualifies for a distribution related to COVID-19, he or she will have three years to roll back that distribution.

Furthermore, the owner or beneficiary of an IRA who has already received the RMD for 2020 may “repay” the distribution and return it to the IRA by August 31, 2020. This repayment right is not restricted by the “one rollover per 12-month period” rule, and non-spouse beneficiaries of an inherited IRA may repay or rollover the 2020 RMD. However, this change only applies to RMDs received from an IRA, and not other retirement plans, such as a 401(k).

Of further note, if a taxpayer died in 2020 after receiving the 2020 RMD, the fiduciary of the taxpayer’s estate is authorized to complete the rollover by August 31, 2020. Also, [IRS Notice 2020-51](#) does not provide options for the “repayment” of RMDs taken in the form of a qualified charitable distribution (QCD) under Internal Revenue Code § 408(d)(8).

Please contact your Murtha Cullina LLP estate planning attorney to discuss the impact of the CARES Act on your retirement plan.

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