



CARES ACT ADMINISTRATIVE Q&As

RMD WAIVERS

The CARES Act waives the requirement for any required minimum distribution (RMD) that is required to be paid in 2020. This includes an individual's first RMD which is attributable to 2019 (not paid by January 1, 2020). If an RMD has already been received during 2020, then the participant may roll it over and defer paying taxes, including rolling back into the plan. This applies only to individual account plans. The FAQs that follow focus on eligibility & adoption, administration & reporting, and rollovers.

Account Eligibility & Adoption

RMD1: If a non-owner participant, age 72, terminated employment with one company on January 22, 2020, and began employment with another company on January 27, 2020, and now wants to roll her account balance from her first 401(k) plan to her new 401(k) plan, am I correct that the RMD waiver does not apply to her? Since she has been working, she has not been required to take an RMD so her first RBD is now April 1, 2021, which falls outside of the RMD waiver, correct?

A: The RMD waiver under the CARES Act applies to calendar year 2020 RMDs. The termination in January 2020 for the 72-year-old participant triggers the 2020 distribution (which is waived). The fact that the payment could have been delayed to April 1, 2021, does not change the fact that it is the 2020 RMD and is waived under the CARES Act.

RMD2: For a DB plan (such as a cash balance plan) which calculates the RMD based on an account balance, is the 2020 RMD waived in the same way RMDs are waived for a DC plan?

A: The RMD waiver is not applicable to DB plans, including cash balance plans.

RMD3: Does the RMD waiver apply to an IRC §414(k) account within a defined benefit plan (such as a rollover account)?

A: No. IRC §414(k) provides that the account is treated as a defined contribution only for certain purposes. IRC §401(a)(9) is not one of the stated purposes. Therefore, the account is treated as a defined benefit plan.

RMD4: With regards to RMD waivers, does this also apply to RMDs from inherited IRAs?

A: Yes, the RMD waiver applies to inherited IRAs.



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RMD5: Can plan participants decide for themselves if the waiver applies or is it determined at the plan level?

A: It is ultimately determined by plan participants because for participants in DC plans, no distribution made in 2020 is an RMD and can therefore be rolled over (assuming it's not ineligible for other reasons).

RMD6: RMDs don't need to be taken this year. Do you know if it impacts a client that started pulling from retirement prior to 59½ utilizing the IRC §72(t) rule for substantially equal payments?

A: The law only provided relief for RMDs, not other payouts. In Notice 2009-82 (Q&A 9) the IRS stated that not making a distribution due to an RMD waiver (which happened in 2009) could cause the 10% penalty to be applied.

RMD7: Does the RMD waiver apply to all individuals or just non-owner individuals?

A: It applies to all participants, including owners.

RMD8: Does the RMD waiver apply to old fashioned pooled profit-sharing plans that are not "individual" accounts?

A: Yes. An individual account plan does not mean each participant has a separate account. Rather, it is just referring to whether there is a separate accounting of the plan assets for each participant.

RMD9: Does the waiver of RMDs apply to Money Purchase Plans?

A: Yes.

RMD10: If I decide to forgo my 2020 RMD, do I need to take it next year in addition to my 2021 RMD?

A: No. The RMD is waived completely for the 2020 year.

RMD11: If my inherited IRA doesn't require annual RMDs because I am depleting the balance over a five- or 10-year period, does the 2020 RMD waiver extend this period by one year?

A: The law states that there is an extension to the payouts over the five-year period. There was not corresponding language addressing the 10-year payout period. Absent further legislative relief, we have to conclude there is no extension for those beneficiaries.



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Administration & Reporting

RMD12: Does the plan ultimately need an amendment to show they allowed the waiver? If RMD's have already been processed for 2020, does the plan need an in-service provision?

A: A plan must eventually be amended to reflect its operation. Whether an amendment is needed will depend on what the employer does in operation and what the current plan provisions provide. Pre-approved plans will need an amendment if the plans sponsor wants to suspend RMDs because the plans currently provide that a distribution will be made. Some individually designed plans might incorporate IRC §401(a) (9) by reference. In that case, the plan would automatically provide for the waiver, and they would need an amendment if the plan sponsor didn't want to permit a waiver of RMDs. It's possible the IRS will issue sample amendments similar to what they did in 2009 (IRS Notice 2009-82). But ultimately, the terms of the plan will need to reflect actual operation of the plan.



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Rollovers

RMD13: If I roll my 2020 RMD back within 60 days, does it use up my one rollover allowed every 12 months?

A: Yes. The law did not change the rule regarding one rollover every 12 months.

RMD14: If I have done a 60-day rollover in the last 12 months and have already taken my 2020 RMD, am I still eligible to roll it back within 60 days?

A: As stated in the prior question, the law did not change the rule regarding one rollover every 12 months.

RMD15: If a participant took an RMD earlier in the year and is outside the 60-day rollover window, could it be treated as a COVID-19 distribution and therefore be repaid within three years?

A: Yes, but this would only be an option if the participant is a qualified individual. We expect the IRS will provide an extension of the 60-day rollover requirement to accommodate the retroactive effective date of the CARES Act provision.



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