

July 2020

The CARES Act – 2020 RMD Update

The Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended Required Minimum Distributions (RMDs) during 2020, but since it wasn't passed until March 27, 2020, many people had already taken all or a portion of their 2020 RMDs. Those individuals were left without structured guidance on how to return unwanted distributions to their IRA. The IRS released additional guidance on June 23 in IRS Notice 2020-51 Guidance on Waiver of 2020 Required Minimum Distributions.

How to Put 2020 RMDs Back?

The initial option was to return distributions to your IRA within the 60-day Rollover window. But for some, the 60-day window had passed (including the extended window noted in IRS Notice 2020-23 for distributions made on or after February 1, 2020). Notice 2020-23 extended the 60-day window for distributions taken on or after February 1, 2020, to the later of 60 days of receipt of the distribution or July 15. This still didn't help all those who had previously received RMDs in 2020.

Closing the Gaps

IRS Notice 2020-51 solves the issues of RMDs received in January, the one-rollover-per-year rule, and non-spouse Beneficiaries.

1. January RMDs

Notice 2020-51 extended the 60-day-rollover window for **ALL** unwanted 2020 RMD distributions to the later of August 31, 2020, or 60 days after receipt of the distribution.

2. One-Rollover-Per-Year Rule

Notice 2020-51 excludes rollovers of amounts, that if not for the CARES Act would have been 2020 RMDs, from being counted as a rollover for purposes of the one-rollover-per-year rule.

3. Non-Spouse Beneficiaries

Non-spouse beneficiaries are explicitly prohibited from completing 60-day rollovers under current law; however, Notice 2020-51 essentially allows beneficiaries to temporarily ignore this portion of the Internal Revenue Code and rollover their 2020 inherited 'RMDs' until as late as August 31, 2020.

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Is the IRS Overstepping?

It's highly unlikely that anyone will complain about the ability to rollover unwanted RMDs in 2020; however, Congress, not the IRS, has the authority and responsibility to create and change laws. So, for many this can be viewed as a troubling step by the IRS to change tax law on their own; they sidestepped well-defined statutes set by the Tax Code, Tax Court decisions, and its own guidance via Private Letter Rulings (PLRs) to amend and change laws without permission.

Common Questions

Q: Can we get back our distributions if we took them monthly?

A: Yes, you can aggregate your distributions and send the full lump sum in one deposit. You can also do multiple deposits, if necessary, since they eliminated the once-per-year rollover rule for distributions characterized as 2020 RMDs.

Q: Is the one-rollover-per-year rule suspended for future years?

A: No, just for 2020. Any amount distributed and characterized as a 2020 RMD will not be subject to the once-per year rule.

Q: How should we document this for future IRS questions?

A: The best practice is to calculate the total RMD for 2020 under pre-CARES Act rules. Then, calculate total 2020 distributions rolled back to your IRA account.

Q: How do I ensure the rollover is properly documented?

A: In the memo line, write "Rollover Contribution". Your tax preparer will report retirement contributions, distributions, and characterizations in your annual tax filings.

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