

Goodwin Alerts

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U.S. CARES Act Suspends Retirement Plan Required Minimum Distributions for 2020

by Matthew F. Fecteau

Speed Read

The U.S. Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) suspends the Required Minimum Distribution rules for retirement plans for the 2020 calendar year. This Client Alert provides guidance for individuals who have questions about whether to defer their RMDs or who may have already taken their RMD in the first few months of 2020.

In response to the global COVID-19 pandemic, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) became law. The CARES Act provides relief to individuals and businesses across the United States in an effort to counteract the economic impact of social distancing guidelines issued by federal, state and local governments. One of the provisions of the CARES Act is important for retirement plan participants.

Section 2203 of the CARES Act amends section 401(a)(9) of the Internal Revenue Code, the section of the Code that sets forth the Required Minimum Distribution (“RMD”) rules, to suspend the RMD rules for calendar year 2020. This suspension applies to most retirement plans, including IRAs, 401(k) and 403(b) plans and means that for most participants they will not be required to take any distributions from their retirement plan this year. Not taking the RMD could be advantageous as taxable income will not be recognized in 2020 and those funds could continue to be managed in a tax-deferred account for another year.

If a taxpayer has already taken some or all their RMD for 2020, there may be an option to return the amounts distributed back into the IRA. The suspension of the RMD rules means that any amounts distributed in 2020 were not required to be distributed as RMDs. Therefore, those amounts may be rolled over (recontributed) into the taxpayer’s IRA if the rollover is made within 60 days of the distribution. If it has been more than 60 days since the distribution, unless further guidance from the IRS directs otherwise, those amounts may not be rolled over. Please note, however, that only one rollover is permitted per 12-month period and the rollover option is not available for an inherited IRA.

As each individual’s circumstances are unique, it is important to assess whether to defer (or rollover) the withdrawal this year or to take the withdrawal as planned due to an anticipated decrease in investment or earned income and, therefore, a lower tax bracket for tax year 2020.

Many taxpayers schedule their RMDs for periodic distributions. If your preference is not to take your 2020 distribution, be sure to contact your retirement account custodian to cancel any automatic withdrawals that may be scheduled. If you have questions regarding your RMD for 2020 or the procedure for rolling over any amounts already distributed to you this year, please get in touch with us, your financial advisor or your retirement account custodian soon so that you can take advantage of the 60-day rollover option.

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Please visit Goodwin’s [Coronavirus Knowledge Center](#), where firm lawyers from across the globe are issuing new guidance and insights to help clients fully understand and assess the ramifications of COVID-19 and navigate the potential effects of the outbreak on their businesses.

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