

Returning 2020 IRA Distributions to IRAs (rollovers, repayments etc.)

IRA Distributions

Repayment of 2020 IRA Required Distributions Withdrawn Before Issuance of Notice 2020-51

Under relief provided in Notice 2020-51, any **required distribution** withdrawn by an IRA owner or IRA beneficiary in 2020 on or before June 23, 2020 (date Notice 2020-51 was issued) can be repaid to the distributing IRA so long as it is returned to the IRA **no later than August 31, 2020**.

This includes required distributions that were taken in multiple distributions and would violate the 12-month IRA-to IRA rollover restriction, and required distributions withdrawn by nonspouse beneficiaries which under normal rollover rules are not eligible to be rolled over. It is important to note that the relief to return these required distributions provided under Notice 2020-51 only applies to distributions that would have been *required* had it not been for the changes to the RMD rules in the SECURE Act or the RMD waivers in the CARES Act. Amounts that are not a part of a distribution that would have otherwise been part of a required distribution (i.e., amounts taken by an individual that is subject to RMDs, but the amount is in excess of what would have been the required amount had it not been for the SECURE or CARES Acts, or distributions taken by individuals who are not required to take distributions) are not eligible for the “repayment” relief under Notice 2020-51.

Required reporting. Our contact at the IRS states that how these “repayments” will need to be reported is unknown at this time (as of Thursday, July 16th). Until guidance is provided by the IRS, Convergent recommends that when using Convergent’s IRA Application(s) or the IRA Contribution Form to document the receipt of such contribution, that the “Other” contribution type be used along with documenting “Repayment under Notice 2020-51” in the space provided. It is our hope that by tracking these recontributions in a unique way, you will be able to easily gather these transactions and report them properly based on the requirements outlined in the yet to be updated Instructions for Forms 1099-R and 5498. We will contact you as soon as we learn anything new regarding reporting requirements.

Rollover of Any IRA Distribution Withdrawn by IRA Owner in 2020

Any IRA distribution (including a required distribution that would have been *required* had it not been for the changes to the RMD rules in the SECURE Act or the RMD waivers in the CARES Act) withdrawn by an **IRA owner** on or after February 1, 2020 through December 31, 2020, may be rolled over so long as the individual has not rolled over another IRA distribution within the last 12 months, and the rollover is completed on or before *the later of*

- the 60th day following the day the distribution was received, or
- July 15, 2020.

Required reporting

(60-Day Rollovers). Distributions received within the 60-day window are reported as a regular old “Rollover” in Box 2 of Form 5498.

(Rollovers by July 15, 2020, but outside of 60-day window)

Our contact at the IRS states that how these rollovers will need to be reported is unknown at this time (as of Thursday, July 16th). Until guidance is provided by the IRS, Convergent recommends that when using Convergent’s IRA Application(s) or the IRA Contribution Form to document the receipt of

such contribution, that the “Other” contribution type be used along with documenting “Rollover under Notice 2020-23” in the space provided. It is our hope that by tracking these rollovers in a unique way, you will be able to easily gather these transactions and report them properly based on the requirements outlined in the yet to be updated Instructions for Forms 1099-R and 5498. We will contact you as soon as we learn anything new regarding reporting requirements.

Note: Nonspouse beneficiaries are not eligible to roll over amounts withdrawn. The only option for nonspouse beneficiaries to return money to an IRA is as a “repayment” as outlined above in the “*Repayment of IRA Required Distributions Withdrawn in 2020 Before Issuance of Notice 2020-51*” section.

Repayment of Coronavirus-Related Distributions

IRA distributions that would have been *required distributions* had it not been for the changes to the RMD rules in the SECURE Act or the RMD waivers in the CARES Act withdrawn on or after January 1, 2020, and before December 31, 2020 by IRA owners may be considered Coronavirus-Related Distributions if the IRA owner is a Qualified Individual. A Qualified Individual as recently expanded under Notice 2020-50 is someone who –

- Has tested positive and been diagnosed with COVID-19;
- Has a spouse or member of the individual's household (that is, someone who shares the individual's principal residence) who has tested positive and been diagnosed with COVID-19; or
- Experiences financial consequences due to them, their spouse or a member of their household:
 - Being quarantined, furloughed or laid off or having reduced work hours due to COVID-19,
 - Being unable to work due to lack of childcare due to COVID-19,
 - Closing or reducing hours of a business that they own or operate due to COVID-19,
 - Having pay or self-employment income reduced due to COVID-19, or
 - Having a job offer rescinded or start date for a job delayed due to COVID-19.

While Coronavirus-Related Distributions must generally be included in taxable income, an IRA owner has the option of including the taxable portion of any Coronavirus-Related Distribution in his taxable income for either tax year 2020, or ratably over a three-year period (i.e., tax years 2020, 2021 and 2022). To avoid paying taxes on all or a portion of a Coronavirus-Related Distribution, an IRA owner has up to three years to make one or more repayments to his IRAs.

Note: If eligible, nonspouse beneficiaries may consider a distribution withdrawn on or after January 1, 2020, and before December 31, 2020 as a Coronavirus-Related Distribution and include the taxable portion of any Coronavirus-Related Distribution in taxable income ratably over a three-year period (i.e., tax years 2020, 2021 and 2022), however, nonspouse beneficiaries are not eligible to repay Coronavirus-Related Distributions to an IRA.

Employer Plan Distributions

Rollover of 2020 Employer Plan RMDs Withdrawn Before Issuance of Notice 2020-51

Under relief provided in Notice 2020-51, any ***required distribution*** withdrawn by a plan participant in 2020 on or before June 23, 2020 (date Notice 2020-51 was issued) can be rolled over to so long as the rollover is completed on or before *the later of*

- the 60th day following the day the distribution was received, or
- August 31, 2020.

Required reporting

(60-Day Rollovers). Distributions received within the 60-day window are reported as a regular old “Rollover” in Box 2 of Form 5498.

(Rollovers by August 31, 2020, but outside of 60-day window)

Our contact at the IRS states that how these rollovers will need to be reported is unknown at this time (as of Thursday, July 16th). Until guidance is provided by the IRS, Convergent recommends that when using Convergent’s IRA Application(s) or the IRA Contribution Form to document the receipt of such contribution, that the “Other” contribution type be used along with documenting “Rollover under Notice 2020-51” in the space provided. It is our hope that by tracking these rollovers in a unique way, you will be able to easily gather these transactions and report them properly based on the requirements outlined in the yet to be updated Instructions for Forms 1099-R and 5498. We will contact you as soon as we learn anything new regarding reporting requirements.

Rollover of Any Plan Distribution Withdrawn by Plan Participant in 2020

Any distribution (including a required distribution that would have been *required* had it not been for the changes to the RMD rules in the SECURE Act or the RMD waivers in the CARES Act) withdrawn on or after February 1, 2020 by a plan participant from a qualifying employer may be rolled over to an IRA so long as the rollover is completed on or before *the later of*

- the 60th day following the day the distribution was received, or
- July 15, 2020.

Required reporting

(60-Day Rollovers). Distributions received within the 60-day window are reported as a regular old “Rollover” in Box 2 of Form 5498.

(Rollovers by July 15, 2020, but outside of 60-day window)

Our contact at the IRS states that how these rollovers will need to be reported is unknown at this time (Thursday, July 16th). Until guidance is provided by the IRS, Convergent recommends that when using Convergent’s IRA Application(s) or the IRA Contribution Form to document the receipt of such contribution, that the “Other” contribution type be used along with documenting “Rollover under Notice 2020-23” in the space provided. It is our hope that by tracking these rollovers in a unique way, you will be able to easily gather these transactions and report them properly based on the requirements outlined in the yet to be updated Instructions for Forms 1099-R and 5498. We will contact you as soon as we learn anything new regarding reporting requirements.

Repayment of Coronavirus-Related Distribution

Employer plan distributions that would have been *required distributions* had it not been for the changes to the RMD rules in the SECURE Act or the RMD waivers in the CARES Act withdrawn on or after January 1, 2020, and before December 31, 2020 by plan participants may be considered Coronavirus-Related Distributions if the plan owner is a Qualified Individual. A Qualified Individual as recently expanded under Notice 2020-50 is someone who –

- Has tested positive and been diagnosed with COVID-19;
- Has a spouse or member of the individual's household (that is, someone who shares the individual's principal residence) who has tested positive and been diagnosed with COVID-19; or
- Experiences financial consequences due to them, their spouse or a member of their household:
 - Being quarantined, furloughed or laid off or having reduced work hours due to COVID-19,
 - Being unable to work due to lack of childcare due to COVID-19,
 - Closing or reducing hours of a business that they own or operate due to COVID-19,
 - Having pay or self-employment income reduced due to COVID-19, or
 - Having a job offer rescinded or start date for a job delayed due to COVID-19.

While Coronavirus-Related Distributions must generally be included in taxable income, a plan participant has the option of including the taxable portion of any Coronavirus-Related Distribution in his taxable income for either tax year 2020, or ratably over a three-year period (i.e., tax years 2020, 2021 and 2022). To avoid paying taxes on all or a portion of a Coronavirus-Related Distribution, a plan participant has up to three years to make one or more repayments to his IRAs or workplace retirement savings plans.

Note: If eligible, nonspouse beneficiaries may consider a distribution withdrawn on or after January 1, 2020, and before December 31, 2020 as a Coronavirus-Related Distribution and include the taxable portion of any Coronavirus-Related Distribution in taxable income ratably over a three-year period (i.e., tax years 2020, 2021 and 2022), however, nonspouse beneficiaries are not eligible to repay Coronavirus-Related Distributions to an IRA or employer plan.