

The CARES Act Update



Notice 2020-51

On June 23, 2020, the Internal Revenue Service (IRS) issued Notice 2020-51, providing guidance relating to the suspension required minimum distributions (RMDs) under the Coronavirus Aid, Relief and Economic Security (CARES) Act for the entirety of 2020.

The original language of the CARES Act in this area was fairly straightforward: Retirees could refrain from taking RMDs from IRAs, 401(k)s, or other qualified accounts. For those who took money out of their accounts prior to CARES becoming law on March 27, they could not roll the RMD back into a retirement account.

Under 2020-51, however, those who did take the RMD may roll those funds back into a retirement account, by no later than Aug. 31, 2020.

Even so, 2020-51 says that firms “may” adopt an amendment that would allow them to continue making RMD payments; some have said they will continue to pay RMDs unless the participant specifically asks them not to. We believe this appears to be a contradiction of the spirit of the IRS notice. Pentegra will not continue to automatically pay RMDs – unless the participant specifically asks us to do so. The guidance also includes sample amendment language for plans that adopt the changes allowed by the Notice. The amendment will need to be adopted by the last day of the first plan year beginning on or after January 1, 2022.

