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Update on IRS Initiatives

Proposed Rules on Rolling Over Qualified Plan Loan Offset (QPLO) Amounts

On August 18, 2020, the Internal Revenue Service (IRS) issued proposed rules that include specifics on how to roll over qualified plan loan offset amounts under the Tax Cuts and Jobs Act (TCJA).

The IRS' Proposed Regulation Section 1.402(c)-3 defines the difference between a plan loan offset and a qualified plan loan offset (QPLO), and sheds light on the rollover rules applicable to each of those offset transactions.

A plan may provide that if a loan is not repaid, its account balance is reduced – or offset -- by the unpaid portion of the loan. The unpaid balance of the loan that reduces the account balance is the plan loan offset amount. Unlike a deemed distribution, a plan loan offset amount is treated as an actual distribution for rollover purposes, and may be eligible for rollover.

A QPLO amount is a plan loan offset amount that is treated as distributed from a qualified retirement plan to an employee or beneficiary, either for the termination of the qualified employer plan, or failure to meet the repayment terms of the loan from that plan because of the employee's severance from employment.

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The IRS' newly proposed regulations state that if a taxpayer receives a distribution of a QPLO amount and files their income tax return for the year of the distribution in a "timely" fashion – in other words, by the normal due date—they may have an additional six months to complete a rollover of the QPLO amount.

The IRS published the proposed regulations in the Federal Register on August 20, and is accepting comments in written or electronic form until October 5, 2020.

Contact the Pentegra Solutions Center at solutions@pentegra.com
or 855-549-6689 for expert guidance on how to make the most of the new rules.

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