



## RMD Rollover Updates for 2020

### RETIREMENT PLANS

The Internal Revenue Service announced on June 23 (through IRS Notice 2020-51) that anyone who has already taken a required minimum distribution (RMD) in 2020 from certain retirement accounts now has the opportunity to roll those funds back into a retirement account by August 31, 2020, following the CARES Act RMD waiver for 2020.

The CARES Act (signed into law on March 27, 2020) enabled any taxpayer with an RMD due in 2020 from a defined contribution retirement plan, including a 401(k), 403(b), or governmental 457(b) plan, or an IRA (including inherited IRAs) to skip those RMDs this year. This includes anyone who turned age 70½ in 2019 and would have had to take the first RMD by April 1, 2020. This waiver does not apply to defined benefit plans.

#### **RMD Rollovers Until August 31, 2020**

The rollover period for any RMDs already taken on or after January 1, 2020, has been extended to August 31, 2020. IRA owners (including beneficiaries) or retirement plan account holders who have already received a distribution of an amount that would have been an RMD in 2020 can repay the distribution to an IRA by August 31, 2020. RMD rollovers are allowed in both IRAs and qualified plans. A plan's document must allow for incoming rollovers, including for RMD repayments. The amount rolled back into the IRA or plan by August 31, 2020, cannot exceed the RMD amount that was previously withdrawn.

#### **Taxation, Withholding, and the Same Property Rule**

If taxes were withheld from the IRA or plan when the RMD was taken, individuals are allowed to replace the gross amount withdrawn, including any federal and/or state tax withholding. The taxpayer will treat the withholding as a prepayment for their 2020 taxes. For example, if the RMD was \$100,000 with 20% withholding, the individual would replace the full \$100,000 (using \$20,000 from a retail or bank account), and the \$20,000 that was withheld for taxes will be applied to his or her 2020 tax return as a prepayment. In addition, the IRS same property rule states that if cash was distributed from an IRA, cash must be rolled back in. If a security was distributed, the same security and number of shares must be rolled back in to negate all taxation. Even if the value of the security had gone down since the distribution date, the IRS still wants an IRA owner to roll back the same number of shares (not the value of the security on that day) to negate all taxation.

#### **Inherited IRAs and Multiple Repayments**

IRS Notice 2020-51 also allows for those who have taken 2020 RMDs from inherited IRAs to roll back those distributions, up to the RMD amount, by August 31, 2020. Previous rulings did not allow for inherited IRA owners to roll back money into the account. Furthermore, the notice provides that this repayment is not subject to the one rollover per 12-month period limitation, thus allowing multiple RMD distributions to all be rolled back in by August 31, 2020.

Contact your Stifel Financial Advisor today to discuss these RMD rollover provisions.

*Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.*

One Financial Plaza | 501 North Broadway | St. Louis, Missouri 63102  
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