



IRS NOTICE 2020-51, UNPRECEDENTED RMD RELIEF FOR NON-SPOUSAL IRA BENEFICIARIES

Inherited IRA beneficiary who has taken an RMD for 2020 can now place that money back into that inherited IRA per IRS Notice 2020-51

The Coronavirus Aid, Relief, and Economic Security (CARES) Act waived required minimum distributions (RMDs) for 2020. However, as with any legislative change, many practical questions were left unanswered. The recently released IRS Notice 2020-51 provided significant clarification of broad RMD relief for both IRA owners and beneficiaries who don't want to take a 2020 RMD.

RMD Waiver for 2020

In the first half of 2020, the IRS has given significant regulatory relief responding to the financial damage many citizens have experienced from the COVID-19 global pandemic. One significant change is the CARES Act waiver of RMDs for 2020. The question, "What if I've taken my RMD and don't need it, can I repay it?", had a variety of answers depending on circumstances and timing. Initial guidance was released in the form of [IRS Notice 2020-23](#), which clarified some of the RMD and rollover relief for those who had already taken a 2020 RMD.

Unfortunately, [IRS Notice 2020-23](#) provided limited recourse for those who took the RMD in January or as a stream of withdrawals, and it only applied to IRA owners. The recently released [IRS Notice 2020-51](#) provided significant clarification of RMD relief for both IRA owners and beneficiaries who don't want to take a 2020 RMD. Let's cover two significant areas that impact IRA beneficiaries.

Non-Spousal Beneficiaries

First, the unprecedented allowance of repayments of 2020 RMDs taken by non-spousal IRA beneficiaries (Section III.D).^{*} This provision waives existing rules that prohibit a non-spousal IRA beneficiary from rolling over distributions via an indirect rollover. This means an inherited IRA beneficiary who has taken an RMD for 2020 can now place that money back into that inherited IRA. There is no legislative provision allowing for indirect rollovers when it comes to inherited IRAs; however, with this notice the IRS will be abiding by those rules this year. The relief applies only to distributions that would have been an RMD if not for the CARES Act waiver of RMDs, and the repayment must be made to the distributing IRA by August 31, 2020. It will be treated as a 60-day rollover if repaid by August 31, 2020. This provision will apply only to inherited accounts for which the owner died in 2019 or prior.

The second provision is more of a clarification. Because RMDs are waived for 2020, a beneficiary of a decedent dying in 2019 would normally have to elect the life expectancy distribution by December 31, 2020, but that is now extended to December 31, 2021.

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The extension is a delay of the Required Beginning Date (RBD). Previously, the deadline to elect life expectancy payments and to take post-death RMDs under the 5-year rule in Section [401\(a\)\(9\)\(B\)\(ii\)](#) or the life expectancy rule in section [401\(a\)\(9\)\(B\)\(iii\) and \(iv\)](#) normally is the end of the calendar year following the calendar year of the death of the employee or IRA owner. Q&A-2 of the Notice clarifies that if this deadline otherwise is the end of 2020, it is extended to the end of 2021.

This is welcome relief for many clients who may not want to receive a 2020 beneficiary RMD. However, if the money is already spent and not easily replaced, many clients will need to accept the payment and subsequent taxes. However, certain individuals who might find themselves in a lower tax bracket in 2020 may prefer to keep the RMD and pay the taxes at a temporarily lower bracket and not have those funds impact future RMD's. Remember, the deadline for repayment is **August 31, 2020**.

The term RMD is used for 2020 distributions that if not for the CARES Act waiver would have been considered the 2020 RMD amount; however, under the CARES Act, RMDs are waived.

**Section III.D permitted repayments of RMDs previously distributed from an IRA. In the case of an IRA owner or beneficiary who has already received a distribution of an amount that would have been an RMD in 2020 but for section 2203 of the CARES Act or section 114 of the Setting Every Community Up for Retirement Enhancement (SECURE) Act, the recipient may repay the distribution to the distributing IRA, even if the repayment is made more than 60 days after the distribution, provided the repayment is made no later than August 31, 2020. The repayment will be treated as a rollover for purposes of Section 408(d)(3) of the Code, but will not be treated as a rollover for purposes of the one rollover per 12-month period limitation in Section 408(d)(3)(B) and the restriction on rollovers for non-spousal beneficiaries in Section 408(d)(3)(C).*

Additional Information and Links

IRS Notice 2020-51

<https://www.irs.gov/pub/irs-drop/n-20-51.pdf>

IRS Notice 2020-23

<https://www.irs.gov/pub/irs-drop/n-20-23.pdf>

SECURE Act

<https://www.govinfo.gov/content/pkg/BILLS-116hr1865enr/pdf/BILLS-116hr1865enr.pdf>

CARES Act

<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

CARES Act Resources

<https://www.annuities.pacificlife.com/home/insights/cares-act>

SECURE Act Resources

<https://www.annuities.pacificlife.com/home/misc/lp/thrive-with-pacific-life.html>

For additional information about the CARES Act and Notice 2020-51, please contact the Retirement Strategies Group at (800) 722-2333, ext. 3939, or email RSG@PacificLife.com.

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