March 23, 2022

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Dear   :

I am responding to your inquiry that was received by the Cincinnati Service Center on October 26, 2021. I apologize for our delayed response to your letter. In your letter, you requested information related to when you are required to begin distributions from your pension, the portion of the lump-sum distribution that may be rolled over to an IRA, and private letter rulings.

Required Beginning Date and CARES Act Relief

Generally, if an employee participating in a pension plan was born before July 1, 1949, the employee was required to begin distributions no later than April 1 of the calendar year following the calendar year in which the employee reached age 70½ ("required beginning date") or retired if later.[1] For example, for a retired employee who was born in November 1948, the required beginning date was April 1, 2020. However, the required minimum distribution (RMD) that was due by April 1, 2020, would be the distribution for calendar year 2019. A required minimum distribution would also be due for calendar year 2020 and each subsequent year. Those subsequent RMDs would have to be paid by December 31 of that year.

Section 2203 of the CARES Act waived RMDs from defined contribution plans and IRAs for the 2020 calendar year. However, this waiver did not extend to defined benefit plans. Notice 2020-51, Section V, Q&A-12 states that the waiver of 2020 RMDs under the

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[1] Section 114 of the SECURE Act amended IRC section 401(a)(9)(C) to change the definition of required beginning date for individuals born on or after July 1, 1949, to April 1 of the calendar year following the calendar year in which the individual attained age 72.

CARES Act does not apply in the case of a defined benefit plan even if "the defined benefit plan is using the rule in Treas. Reg. 1.401(a)(9)-6(d)(1) to determine the portion of a single sum distribution that is an RMD." Accordingly, an employee in a defined benefit plan was required to take a minimum distribution in 2020 (and for 2019, if, as in the example above, the first RMD was due by April 1, 2020). IRC section 3405 requires a pension plan to withhold taxes from a distribution unless the employee timely requests no withholding. The plan generally provides the deadline to make such a request

Determining the Portion of a Distribution Eligible for Roll Over

IRC section 402(c)(4)(B) provides that required minimum distributions are not eligible to be rolled over. Treas. Reg. 1.402(c)-2, Q&A-7 provides that "if a minimum distribution is required for a calendar year, the amounts distributed during that calendar year are treated as required minimum distributions under section 401(a)(9), to the extent that the total required minimum distribution under section 401(a)(9) for the calendar year has not been satisfied. Accordingly, these amounts are not eligible rollover distributions." Thus, if an employee takes a lump-sum distribution in a calendar year, the portion of that distribution that represents the employee's RMD for the calendar year is not eligible to be rolled over to an IRA.

Private Letter Rulings

Rev. Proc. 2022-1, section 2.01 provides that a "letter ruling is a written determination issued to a taxpayer. . . in response to a taxpayer's written inquiry, filed prior to the filing of returns or reports that are required by the tax laws, about its status for tax purposes or the tax effects of its acts or transactions." A letter ruling interprets the tax laws and applies them to the taxpayer's specific set of facts. Rev. Proc. 2022-1 provides further information about when a private letter ruling is appropriate and the process for submitting a private letter ruling request.

For your convenience, I have enclosed copies of Notice 2020-51 and Rev. Proc. 2022-1.

Sincerely,

Neil Sandhu
Acting Branch Chief, Qualified Plans Branch 1
(Employee Benefits, Exempt Organizations, and Employment Taxes)

Enclosures