minimum distributions (RMDs) from retirement accounts.

Mar. 16, 2021

The Internal Revenue Service is reminding taxpayers about the rules for required minimum distributions (RMDs) from retirement accounts.

A retirement plan account owner must normally begin taking an RMD annually starting the year he or she reaches 70 ½ or 72, depending on their birthdate and maybe the year they retire. Retirement plans requiring RMDs include traditional, Simplified Employee Pension Plan (SEP) and Savings Incentive Match Plan for Employees (SIMPLE) Individual Retirement Accounts; 401(k), 403(b), 457(b), profit sharing and other defined contribution plans.

waiver included RMDs for individuals who turned age 70½ in 2019 and took their first RMD in 2020.

Individuals who reached age 70 ½ before 2020 and were still employed, but terminated employment in 2020, would normally have a 2020 RMD due by April 1, 2021, from their workplace retirement plan. This RMD is also waived as part of the CARES Act relief. Roth IRAs do not require withdrawals until after the death of the owner.

2021 RMDs

Individuals who reached 70 ½ in 2019 or earlier, did not have an RMD due for 2020. For 2021, they will have an RMD due by Dec. 31, 2021. Individuals who did not reach age 70 ½ in 2019 will reach age 72 in 2021 will have their first RMD due by April 1, 2022, and their second RMD due by Dec. 31, 2022. To avoid having both amounts included in their income for the same year, the taxpayer can make the first withdrawal by Dec. 31, 2021, instead of waiting until April 1, 2022. After the first year, all RMDs must be made by Dec. 31.

An IRA trustee must either report the amount of the RMD to the IRA owner or offer to calculate it for the owner. Calculating the amount of the RMD depends on the type of IRA or if they are from multiple accounts. Not taking a required distribution, or not withdrawing enough, could mean a 50% excise tax on the amount not distributed.

Some can delay RMDs

Though the April 1 deadline for taking the first RMD is mandatory for all owners of traditional IRAs, participants in workplace retirement plans who are still working usually can, if their plan allows, wait until April 1 of the year after they retire to start receiving distributions from these plans. Individuals who reached age 70 ½ before

2020 and were still employed, but terminated employment in 2020, would normally

The CARES Act made it easier to access savings in IRAs and workplace retirement plans for those affected by the coronavirus. This relief provided favorable tax treatment for certain withdrawals from retirement plans and IRAs, including expanded loan options.

Distributions: Certain distributions made from Jan. 1, 2020, through Dec. 30, 2020, from IRAs or workplace retirement plans to qualified individuals may be treated as coronavirus-related distributions. These distributions are not subject to the 10% additional tax on early distributions (including the 25% additional tax on certain SIMPLE IRA distributions).

Taxes on coronavirus-related distributions are includible in taxable income:

- Over a three-year period, one-third each year, or
- If elected, in the year you take the distribution.

Coronavirus-related distributions may be repaid to an IRA or workplace retirement plan within three years.

If you had an outstanding loan balance in when you left employment, the plan sponsor will usually offset the loan balance against your benefit.

- For loan offsets in 2020, you have until the due date of your tax return (plus extensions) to repay that amount to another retirement plan or IRA.
- If you're a qualified individual, you can treat the loan offset as a coronavirus-related distribution and have three years to repay to an IRA or include in income tax ratably over three years.

RMDs: An IRA owner or beneficiary who received an RMD in 2020 had the option of returning it to their account or other qualified plan to avoid paying taxes on that distribution. RMDs in 2020 that were not rolled over or repaid may be eligible to be treated as coronavirus-related distributions if the individual is a qualified individual.

IRS Notice 2020-51 provided that the one rollover per 12-month period limitation and the restriction on rollovers to inherited IRAs did not apply to repayments made by Aug. 31, 2020. The RMD suspension did not apply to qualified defined benefit plans.

The CARES Act included special rules for plan loans made to qualified individuals. Plans could suspend loan repayments for up to one year, although, typically, repayments resumed in January 2021. This effectively gives up to six years (instead of five) to repay a typical plan loan.

IRS online tools and publications can help

Taxpayers can find answers, forms and instructions and easy-to-use tools at IRS.gov.

- FAQs regarding Required Minimum Distributions
- Individual Retirement Arrangements (IRAs)
- Publication 590-B, Distribution from Individual Retirement Arrangements (IRAs)
- Coronavirus Relief for Retirement Plans and IRAs.

This news release is part of a series called the Tax Time Guide, a resource to help taxpayers file an accurate tax return. Additional help is available in Publication 17, Your Federal Income Tax.

Benefits • Income Tax • IRS