

Publications

# Round One of SECURE Act Guidance – IRA Reporting Relief for 2020 MRDs

**ATTORNEYS & PROFESSIONALS**

**Elizabeth Thomas Dold**

[edold@groom.com](mailto:edold@groom.com)

202-861-5406

**Louis T. Mazawey**

[lmazawey@groom.com](mailto:lmazawey@groom.com)

202-861-6608

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IRA providers were concerned with not being able to “stop the presses” when it came to notices being provided in January to IRA owners regarding the need to take 2020 minimum required distributions (“MRDs”).

The law requires IRA providers to (1) report on Form 5498 if MRDs are required for the following year, and (2) provide a notice, generally by January 31 of each year, for those that must take a MRD for that year (e.g., under prior law, IRA owner that turn 70-1/2 in such year).

The IRS just issued Notice 2020-6, which provides guidance on how IRA providers may comply with these rules, and provides some relief to address non-compliance based on the late hour of the law change. The IRS clarified that:

- **MRD Statement.** The January 2020 MRD Statement required under Notice 2002-27 should not be sent to IRA owners who will attain age 70-1/2 in 2020. If the statement was issued for a participant where no 2020 MRD is required (e.g., IRA owner who attains age 70-1/2 in 2020), including by providing a Form 5498, the statement will not be considered incorrect if the IRA owner is notified by the financial institution no later than April 15, 2020 that no MRD is required for 2020.
- **2019 Form 5498 Reporting.** No MRD provisions should be reflected for IRA owners who turn age 70-1/2 in 2020 – leave boxes 11, 12a and 12b blank on the 2019 Form 5498.
- **MRD Reminder.** The IRS encourages all financial institutions, in communicating these MRD changes, to remind IRA owners who attained age 70-1/2 in 2019, and have not yet taken their 2019 MRDs, that they are still required to take those distributions by April 1, 2020.

Notably, the guidance indicates that the IRS and Treasury are considering what additional guidance should be provided with respect to the [Setting Every Community Up for Retirement Enhancement Act of 2019](#) (the “SECURE Act”), including potential relief for 2020 payments that are mistakenly treated as MRD payments (as that raises withholding and rollover concerns, and related penalties and interest).

## Next Steps

IRA providers should review their MRD procedures and client communications for compliance and consider including a reminder that the law did not change for IRA owners who turned 70-1/2 in 2019 and that the April 1 deadline is approaching. Specifically:

- Incorrect MRD Statement: If an incorrect statement was provided, notify the IRA owner no later than April 15, 2020 that no MRD is required for 2020, and document the same.
- 2019 Form 5498 (due June 1, 2020):
  - For IRA owners who turn 70-1/2 in 2020 (born after June 30, 1949): Leave box 11, 12a, and 12b blank. (The 2020 Form 5498 (and thereafter) will need to check box 11 and may complete Box 12a and b.)
  - For IRA owners who turn 70-1/2 in 2019, or before (born before July 1, 1949): Check box 11, and may complete Box 12a and b.

We eagerly await additional SECURE Act guidance, particularly for IRA guidance on post-death MRD provisions and good faith compliance standard for this transition period given the complexities of the rules.