

January 14, 2009

TCRS 2009-01: Internal Revenue Service Issues Guidance On Reporting Required Minimum Distributions for 2009

In Notice 2009-9, the Internal Revenue Service (IRS) provides guidance to financial institutions on the reporting requirements for required minimum distributions for 2009 after the enactment of the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA).

Background

WRERA, signed into law on December 23, 2008, waives the required minimum distributions (RMDs) for 2009 from individual account plans, such as 401(k) plans, 403(b) and governmental 457(b) plans and IRAs. This means that individuals otherwise required to take minimum distributions from these types of plans are not required to withdraw any RMDs for 2009.

Notice 2009-9

Notice 2009-9 provides the following clarifications with respect to 2009 RMDs:

- The 2008 RMD that is due April 1, 2009 must still be distributed.
- The 2009 RMD waiver under WRERA applies to those individuals who may postpone taking their 2009 RMD until April 1, 2010 as well as those who must take their 2009 RMD during calendar year 2009.
- RMDs for 2010 are not covered by the 2009 RMD waiver.
- Individuals taking a RMD in 2009 (other than a 2008 RMD) may be able to roll over the withdrawn amount to another eligible retirement plan, subject to the other rollover requirements. Any portion of the RMD that is not rolled over must be included in gross income.
- A beneficiary receiving distributions over a 5-year period may waive the distribution for 2009, thereby extending the distribution period to 6 years.
- The IRS encourages all financial institutions to inform IRA owners who delayed their 2008 RMD until April 1, 2009 that they are still required to take that distribution.
- The 2009 RMD waiver does not apply to defined benefit plans.

IRA Reporting

Notice 2009-9 makes clear that issuers of the 2008 Form 5498 should not put a check in Box 11, but it also provides that the IRS will not treat the 5498 as incorrectly issued solely because Box 11 is checked, provided the IRA owner is notified by March 31, 2009, by the IRA financial institution that no RMD is required for 2009.

Information currently being provided to IRA owners regarding RMDs as required by Notice 2002-27 (dealing with the reporting requirements for RMDs from IRAs and annuities) need not be provided for 2009.

Financial institutions providing a separate RMD statement to IRA owners either initially or in response to requests to calculate RMDs for 2009 must show the 2009 RMD as zero (0). Alternatively, the financial institution may show the RMD amount that would have been required for 2009 and an explanation that distribution is waived.

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