

RMD Rollover Relief

Legislation passed in late 2008 provided for a suspension of 2009 Required Minimum Distributions (RMDs). Unfortunately, this RMD relief came so late in 2008 that many individuals took 2009 RMDs that were not required. In addition, some employer retirement plan sponsors were not clear on how to implement the provisions of the legislation, and sent RMDs from their plans. To help individuals and plan sponsors in this situation, the IRS recently issued a notice that extends additional relief in order to correct mistaken RMDs for 2009.

Extension of 60-day Rollover

To help individuals take advantage of the 2009 RMD suspension, the IRS is providing relief for IRA owners, defined contribution retirement plan (401(k), profit sharing, money purchase) participants and spousal beneficiaries. This relief extends the 60-day rollover period for any unwanted RMD taken in 2009 to the later of November 30, 2009 or 60-days from the date of the distribution.

It is important to note that the one-rollover-per-12 months rule has not been changed. This means that no more than one distribution from an IRA in 2009 will be eligible for this rollover extension. In addition, this relief does not apply to non-spouse beneficiaries who are prohibited by the tax code from doing a rollover.

Effect of RMD Waiver on Substantially Equal Periodic Payments

The 2009 RMD waiver does not apply to payments that are part of a series of substantially equal periodic payments (commonly referred to as 72t distributions), which are made to avoid the 10% pre-59 ½ premature distribution penalty.

Defined Contribution Plan Relief

Defined contribution plans allowing for 2009 RMD waivers must adopt a remedial amendment to their plan. This amendment must be adopted by the last day of the first plan year beginning in 2011. In the interim, the plan must be operated as if the amendment were in effect from its retroactive effective date.

Other Effects on Defined Contribution Plans

There may be additional effects on the operation of certain provisions within defined contribution plans. Defined contribution plan sponsors should consult with their plan administrators and/or personal tax advisors regarding the operation of their plan and the effects this relief may have.

Some of these additional provisions relate to:

- Spousal consent for suspending distributions
- Rolling back distributions
- 20% withholding
- Determining which distributions are 2009 RMDs

Questions? Contact your Oppenheimer Financial Advisor today!