



Financial Planning Insights

FAQs on the 2020 & 2021 RMDs and the 2020 CRD

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The CARES Act waived required minimum distributions (RMDs) for 2020 and allowed many of those distributions to be returned to a retirement account (aka. “rollover” or “recontribution”). However, now that tax season is upon us, we have started to hear questions about how to report these distributions and rollovers on tax returns. In addition, there are also questions about reporting of coronavirus-related distributions (CRDs) and how 2021 RMDs will work. Here are answers to the most common questions and concerns.

Note: This memo is general in nature and is for informational purposes only. It is not intended and should not be construed as a legal, tax, or investment advice/recommendation. Individuals should contact a tax professional to help answer questions about their specific situations prior to taking action based on this information.

[FAQs for 2020 RMDs that were returned](#)

Q1: Why did I receive a Form 1099-R?

The primary purpose of Form 1099-R is to report distributions from retirement accounts. Every time a distribution is taken from a retirement account, the IRS requires financial institutions to report the withdrawal on a Form 1099-R ([see IRS instructions to Form 1099-R](#)).

Q2: Why does my Form 1099-R say that I have a distribution, even though I returned the money?

Even if you returned a distribution, you’ll still receive a Form 1099-R, since a distribution did initially occur. Generally, returning the funds to the same or different retirement account does not undue or void the withdrawal, even though there may be no taxes due on your personal tax return if the funds are returned.

Q3: How are returned distributions reported on Form 1099-R?

Form 1099-R is primarily used to report distributions, not returns or recontributions. The IRS requires financial institutions to report all withdrawals in box 1 “Gross distribution” of Form 1099-R, even if the funds are later returned or rolled over. In addition, box 2a “Taxable amount” may also report an amount. If the taxable portion of the distribution cannot be determined by the custodian or plan sponsor, box 2b “Taxable amount not determined” may be checked. Regardless of how the custodian or plan sponsor reported the distribution, it’s more important that individual taxpayers clarify on their tax return that the distribution was eventually returned (see Q4 for more details).

Q4: Do I need to report RMDs or distributions on my tax return if I returned them?

Yes, you generally will need to report RMDs and distributions on your tax return that were returned or rolled over. For example, let’s say Susan took out \$35,000 from a traditional IRA in February of 2020 to cover her RMD. Later in the year she utilizes the CARES Act waiver of RMDs to return the entire distribution to the same account. In this case she won’t owe any taxes on this distribution, however, she still needs to report it in her individual tax return. See the image below for how her rollover could be reported on Form 1040 by her tax advisor.

Screenshot of a section of Form 1040 for 2020, Source: IRS

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	\$35,000
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
		b	Taxable interest
		b	Ordinary dividends
		b	Taxable amount
			ROLLOVER
		b	Taxable amount
		b	Taxable amount
		b	Taxable amount
		4b	\$0.00
		5b	
		6b	

Note: This example is for illustration purposes only. This should not be considered or used as tax preparation advice. If you need guidance on the preparation of your tax return, refer to the [IRS instructions to Form 1040](#) and/or consult with a tax professional for personalized advice.

Q5: I received a Form 5498. What should I do with it?

Generally, no action is required when you receive a Form 5498. Form 5498 will report contributions or rollovers (including returns of RMDs) made in 2020. Form 5498 is not generally issued until after the April 15th tax filing deadline (it must be sent by May 31st) and is NOT needed to prepare a tax return. Form 5498 is not issued until after the tax filing deadline, due to the fact that IRA contributions can be made up until tax day. This form is for informational purposes only and should be stored with the tax return for record-keeping.

[FAQs for Coronavirus-Related Distributions \(CRDs\)](#)

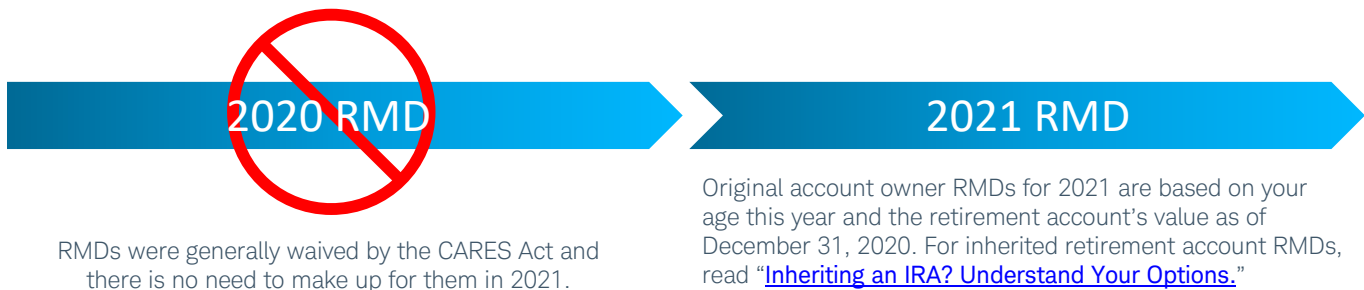
Q6: Why did I receive a Form 1099-R for a CRD that I took in 2020?

Since a CRD involves a withdrawal of funds from a retirement account, the IRS requires reporting of the distribution on a Form 1099-R, even if you eventually return the distribution to an eligible retirement account (see [IRS Notice 2020-50, Section 3, A](#)).

Q7: How do I report a CRD on my tax return?

CRDs will need to be reported on the 2020 individual tax return and on Form 8915-E (qualified 2020 disaster retirement plan distribution and repayments) per [IRS Notice 2020-50](#). Due to the complexity of the CRD rules, and the various options for repaying or being taxed on these distributions, we recommend consulting with a tax professional to determine which option is best for your situation. To learn more about CRDs see IRS webpage, "[Coronavirus-related relief for retirement plans and IRAs questions and answers](#)."

[FAQs for 2021 RMDs](#)



Q8: I skipped my RMD for 2020, do I need to make up for it in 2021?

No, since the CARES Act waived all 2020 RMDs you will not need to take your tax year 2020 RMD in 2021. You will only need to take your RMD for tax year 2021, by December 31st.

Q9: If my first RMD was supposed to be taken by April 1, 2020 but I did not take it due to the CARES Act waiver, will I need to take that RMD in 2021?

No, you will not have to take that RMD. In this case the RMDs for tax year 2019 and 2020 would fall under the CARES Act waiver. However, you will need to take the RMD for tax year 2021, by December 31st.

Q10: If my first RMD was supposed to occur in 2020 but I decided to wait until April 1, 2021, do I still need to take that RMD?

No you will not have to take that RMD in 2021. Since that RMD was related to tax year 2020, it falls under the CARES Act waiver. However, you will need to take the RMD for tax year 2021, by December 31st.

Q11: Will RMDs for 2021 be waived like they were in 2020?

At this time, there is no indication that RMDs will be waived for 2021. Therefore, we have to assume that RMDs will need to be taken in 2021. We will keep you informed if things change.

[What should you consider next?](#)

Many people benefited from the suspension of the 2020 RMDs and ability to take CRDs by the CARES Act. Unfortunately, it has also created confusion for tax-reporting. If you have tax preparation questions, we recommend consulting with a tax professional, who can provide personalized advice for your specific situation.

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