

MEMO# 32918

November 18, 2020

IRS Releases Draft Form and Instructions for Individuals' Reporting of Coronavirus-Related Distributions from Retirement Plans and IRAs

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November 18, 2020 TO: ICI Members

Operations Committee

Pension Committee

Pension Operations Advisory Committee

Small Funds Committee

Transfer Agent Advisory Committee SUBJECTS: Pension

Tax RE: IRS Releases Draft Form and Instructions for Individuals' Reporting of Coronavirus-Related Distributions from Retirement Plans and IRAs

The Internal Revenue Service (IRS) recently released a draft Form 8915-E (Qualified 2020 Disaster Retirement Plan Distributions and Repayments) along with draft instructions to be used by individual taxpayers to report Coronavirus-Related Distributions (CRDs).[\[1\]](#) The IRS is accepting comments on the form. Please contact us if you have any input relating to the form or the instructions.

Coronavirus-Related Distributions Under the CARES Act

As a reminder, in March 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which included a number of provisions that provided retirement-related relief.[\[2\]](#) One provision allows certain individuals who have been impacted by COVID-19[\[3\]](#) to take distributions from retirement plans and IRAs. The CARES Act waives the 10 percent additional tax for early distributions associated with any "coronavirus-related distribution" taken in 2020[\[4\]](#) for amounts not to exceed \$100,000.

CRDs may be repaid in multiple payments at any time over the three-year period commencing on the day after the date the distribution was received.[\[5\]](#) These amounts can be repaid to a qualified plan or an IRA so long as the account is one to which a rollover contribution could be made under the Internal Revenue Code ("Code").

To the extent that the amounts are not repaid, the income with respect to any CRD can be included ratably over the three taxable years beginning with the taxable year in which the

distribution was received.

Form 8915-E

To obtain the special tax treatment described above, individuals should complete the 2020 Form 8915-E if they took a CRD^[6] from their retirement plan or IRA before December 31, 2020 and file it with their 2020 Form 1040. Individuals should also use the form to report any repayments of CRDs made by the due date (including extensions) for filing their 2020 tax return and to determine the amount of the CRD includible in income for the taxable year.

The form allows individuals to elect to either (1) include all CRDs received in a year in gross income for that year, or (2) include a CRD in income ratably over a 3-year period.^[7] As indicated in [IRS Notice 2020-50](#), this election cannot be made or changed after the timely filing of the individual's federal income tax return (including extensions) for the year of the distribution.

The draft instructions include an explanation of how to report recontributions of CRDs, which may require the individual to file an amended Form 8915-E and may require an amended 1040, depending on the timing of the distributions and repayments, and whether the individual has elected to spread the income over three years.^[8]

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endnotes

^[1] The draft Form 8915-E is *available at* <https://www.irs.gov/pub/irs-dft/f8915e--dft.pdf>. The draft instructions are *available at* <https://www.irs.gov/pub/irs-dft/i8915e--dft.pdf>.

^[2] For a summary of the retirement provisions in the CARES Act, see ICI Memorandum No. 32328, dated March 27, 2020, *available at* https://www.ici.org/my_ici/memorandum/memo32328.

^[3] The provision applies to individuals who have been diagnosed with “the virus SARS-CoV-2” or “coronavirus disease 2019 (COVID-19),” individuals whose spouse or dependent is diagnosed with such virus or disease, or individuals who experience adverse financial consequences as a result of:

- being quarantined, being furloughed or laid off or having reduced working hours due to the virus/disease,
- being unable to work due to lack of childcare due to the virus/disease,
- closing or reducing hours of a business owned or operated by the individual due to the virus/disease, or
- other factors as determined by Treasury.

IRS Notice 2020-50 expanded eligibility for coronavirus-related distributions to include an individual who experiences adverse financial consequences as a result of:

- the individual having a reduction in pay (or self-employment income) due to COVID-19

- or having a job offer rescinded or start date for a job delayed due to COVID-19;
- the individual's spouse or a member of the individual's household being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, having a reduction in pay (or self-employment income) due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19; or
- closing or reducing hours of a business owned or operated by the individual's spouse or a member of the individual's household due to COVID-19.

For a summary of IRS Notice 2020-50, see ICI Memorandum No. 32556, dated June 26, 2020, available at https://www.ici.org/my_ici/memorandum/memo32556.

[4] The IRS requires such distributions to be made by December 30, 2020, under a strict reading of the statutory language that defines "Coronavirus-Related Distribution" as a distribution made "on or after January 1, 2020, and before December 31, 2020." See Q4 of [IRS FAQs on CARES Act Retirement Plan Distributions and Loans](#).

[5] As IRS confirmed in IRS Notice 2020-50, the draft instructions note that if a taxpayer who received a coronavirus-related distribution in 2020 dies in 2020, the distribution may not be spread over 3 years. The entire distribution must be reported on the return of the deceased taxpayer.

[6] The draft instructions also note that a reduction or offset (in 2020 before December 31st) of an individual's account balance in an eligible retirement plan in order to repay a loan can also be designated as a qualified 2020 disaster distribution. See page 1 of draft instructions.

[7] See lines 9 and 17 of draft Form 8915-E.

[8] See page 2 of draft instructions. Section 4 of [IRS Notice 2020-50](#) includes a number of examples to illustrate various scenarios.