

MEMO# 32667

August 11, 2020

IRS Publishes Updated Safe Harbor 402(f) Notices for Eligible Rollover Distributions

[32667]

August 11, 2020 TO: ICI Members
Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: IRS Publishes Updated Safe Harbor 402(f) Notices for Eligible Rollover Distributions

The Internal Revenue Service (IRS) has published Notice 2020-62,[\[1\]](#) containing amendments to the safe harbor explanations for satisfying the notice requirements of Internal Revenue Code section 402(f) relating to eligible rollover distributions. Under section 402(f), the notice required to be provided to participants in section 401(a) qualified plans and section 403(a), 403(b), and governmental 457(b) plans generally must describe the rollover rules and consequences of not rolling over an eligible rollover distribution (e.g., income tax withholding). Notice 2020-62 amends the two safe-harbor model notices published in Notice 2018-74 (one for payments not from a designated Roth account and one for payments from a designated Roth account).[\[2\]](#)

The amendments reflect relevant legislative changes and guidance issued after September 19, 2018, including: (1) the exception to the 10 percent additional tax under section 72(t) for qualified birth or adoption distributions under the SECURE Act,[\[3\]](#) and (2) the increase to age 72 for minimum required distributions for employees born after June 30, 1949, under the SECURE Act. Changes to the model notices also include other minor modifications to improve their clarity, including adding that payments of certain premiums for health and accident insurance are not eligible rollover distributions, rearranging bullets for readability, and spelling out acronyms when first used.

An appendix to Notice 2020-62 contains the updated model notices. Notice 2020-62 reminds plan administrators that the updated safe harbor explanations will not satisfy section 402(f) to the extent the explanations are no longer accurate because of a change in the relevant law occurring after August 6, 2020.

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endnotes

[1] Notice 2020-62 is *available at* <https://www.irs.gov/pub/irs-drop/n-20-62.pdf>.

[2] See ICI Memorandum No. 31391, dated September 20, 2018, *available at* https://www.ici.org/my_ici/memorandum/memo31391.

[3] For more background on the SECURE Act, see ICI Memorandum No. 32118, dated December 20, 2019. Available here: https://www.ici.org/my_ici/memorandum/memo32118. Notice 2020-62 also notes that a qualified birth or adoption distributions do not trigger the 402(f) notice requirement because they are not treated as an eligible rollover distributions for purposes of the direct rollover rules of § 401(a)(31), the notice requirement under § 402(f), or the mandatory withholding rules under § 3405. Notice 2020-62 also describes the exception to the 10 percent additional tax for coronavirus-related distributions under the CARES Act, noting that these distributions also do not trigger the 402(f) notice requirement; however, the updated model notices do not include a reference to this exception. For a description of the CARES Act provisions, see ICI Memorandum No. 32328, dated March 27, 2020, *available at* https://www.ici.org/my_ici/memorandum/memo32328.