

Required Minimum Distributions (RMDs) and Rollovers

If a rollover distribution is requested in a year when a Required Minimum Distribution (RMD) must be taken, no portion of the account is eligible for rollover until the RMD has been made to the participant for that calendar year. The distribution calendar year is the calendar year in which an RMD is required. The first distribution calendar year is the year that PRECEDES the year in which the Required Beginning Date falls (which is April 1 of the year following the year in which the participant turns 73). For someone who turns 73 in 2024, their required beginning date is 4/1/2025. However their first distribution calendar year is 2024 (the year that precedes their required beginning date). As such, no rollover can be processed before the required minimum distributions have been met for 2024 (what would have been paid out by April 1, 2025). Essentially, the IRS regulations permit an extra three months to take the first RMD, allowing some flexibility with regard to which year the distribution takes place for tax purposes. The rollover may be delayed into the following tax year as long as the RMD is taken by April 1st. Please consult your tax advisor if you have questions about whether to delay your RMD or rollover.

More information about this requirement can be found in [IRC §402\(c\)\(4\)\(B\)](#) & [Treas. Reg. §1.402\(c\)-2, Q&A-7](#). These provisions are featured below and the full regulations can be found by clicking the link for each. Please note that the initial RMD age has **changed from 70 1/2** since these regulations were enacted. The Secure 2.0 Act raised the age that account owners must begin taking RMDs. For 2024, the age at which account owners must start taking required minimum distributions is age 73, so individuals born in 1951 must receive their first required minimum distribution by April 1, 2025.

[IRC §402\(c\)\(4\)\(B\)](#)

(4) Eligible rollover distribution

For purposes of this subsection, the term "**eligible rollover distribution**" means any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified trust; **except that such term shall not include-**

- (A) any distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made-
 - (i) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or
 - (ii) for a specified period of 10 years or more,
- (B) **any distribution to the extent such distribution is required under section 401(a)(9)** and
- (C) any distribution which is made upon hardship of the employee.

If all or any portion of a distribution during 2020 is treated as an eligible rollover distribution but would not be so treated if the minimum distribution requirements under section 401(a)(9) had applied during 2020, such distribution shall not be treated as an eligible rollover distribution for purposes of section 401(a)(31) or 3405(c) or subsection (f) of this section.

[Treas. Reg. §1.402\(c\)-2, Q&A-7](#)

Q-7: When is a distribution from a plan a required minimum distribution under section 401(a)(9)?

A-7:

- (a) General rule. Except as provided in paragraphs (b) and (c) of this Q&A, **if a minimum distribution is required for a calendar year, the amounts distributed during that calendar year are treated as required minimum distributions under section 401(a)(9), to the extent that the total required minimum distribution**

under section 401(a)(9) for the calendar year has not been satisfied. Accordingly, these amounts are not eligible rollover distributions. For example, if an employee is required under section 401(a)(9) to receive a required minimum distribution for a calendar year of \$5,000 and the employee receives a total of \$7,200 in that year, the first \$5,000 distributed will be treated as the required minimum distribution and will not be an eligible rollover distribution and the remaining \$2,200 will be an eligible rollover distribution if it otherwise qualifies. If the total section 401(a)(9) required minimum distribution for a calendar year is not distributed in that calendar year (e.g., when the distribution for the calendar year in which the employee reaches age 70 1/2 is made on the following April 1), the amount that was required but not distributed is added to the amount required to be distributed for the next calendar year in determining the portion of any distribution in the next calendar year that is a required minimum distribution.

(b) Distribution before age 70 1/2. Any amount that is paid before January 1 of the year in which the employee attains (or would have attained) age 70 1/2 will not be treated as required under section 401(a)(9) and, thus, is an eligible rollover distribution if it otherwise qualifies.

(c) Special rule for annuities. In the case of annuity payments from a defined benefit plan, or under an annuity contract purchased from an insurance company (including a qualified plan distributed annuity contract (as defined in Q&A-10 of this section)), the entire amount of any such annuity payment made on or after January 1 of the year in which an employee attains (or would have attained) age 70 1/2 will be treated as an amount required under section 401(a)(9) and, thus, will not be an eligible rollover distribution.
