



TaxNewsFlash

United States



No. 2020-567
September 10, 2020

Announcement 2020-17: Postponed deadline for reporting, paying excise taxes on minimum required contributions

The IRS today released an advance version of Announcement 2020-17 announcing that the due dates for reporting and paying excise taxes under sections 4971(a)(1) and 4971(f)(1) regarding delayed minimum required contributions to a single employer defined benefit plan are postponed to January 15, 2021.

[Announcement 2020-17](#) [PDF 40 KB] reflects the due date extension for a required contribution as provided by the "Coronavirus Aid, Relief, and Economic Security Act" (Pub. L. No. 116-136) (CARES Act).

Background

Section 4971(a)(1) imposes an excise tax on an employer that maintains a single employer defined benefit plan. The excise tax is 10% of the aggregate unpaid minimum required contributions for all plan years remaining unpaid as of the end of any plan year ending with or within a tax year.

Section 4971(f)(1) imposes an excise tax on an employer maintaining such a plan equal to 10% of the amount of the liquidity shortfall as of the last day of any quarter that is not paid by the due date for the required installment for that quarter.

These excise taxes must be reported and paid by the last day of the seventh month after the end of the employer's tax year or eight and one-half months after the last day of the plan year that ends with or within the filer's tax year.

A provision of the CARES Act extends the due date for paying any minimum required contribution under section 430(j) (including quarterly installments) that would otherwise be due during calendar year 2020 until January 1, 2021. Without this extension, the due date for paying the minimum required contribution for a plan year ending December 31, 2019, would have been September 15, 2020, and a

determination as to whether a plan has an unpaid minimum required contribution for that plan year also would be made as of September 15, 2020.

The IRS in August 2020 issued Notice 2020-61 providing guidance in "question and answer" (Q&A) format regarding certain defined benefit pension plan provisions under the CARES Act, including the extended due date for making a minimum required contribution. Read [TaxNewsFlash](#)

Announcement 2020-17

Today's IRS announcement provides that as a result of the extended due date for making a minimum required contribution under the CARES Act, if an employer that is a calendar year taxpayer maintains a single employer defined benefit plan that is subject to section 430 with a calendar year plan year and fails to pay the minimum required contribution for the 2019 plan year by the extended due date of January 1, 2021, then there would be an unpaid minimum required contribution for the 2019 plan year. Thus, the employer would become subject to the excise tax under section 4971(a).

Similarly, if the employer fails to pay a required installment under section 430(j)(3) to satisfy a liquidity shortfall by the delayed due date of January 1, 2021, the excise tax under section 4971(f) would apply. Typically, the due date for the employer's reporting and payment obligations for the excise taxes with respect to these unpaid contributions would have been September 15, 2020.

Announcement 2020-17 clarifies that it is intended to coordinate the due date for reporting and paying the sections 4971(a)(1) and 4971(f)(1) excise taxes with the extended due date for paying the minimum required contributions to which those excise taxes apply (January 1, 2021). Thus, the IRS and Treasury Department announced the postponement of the reporting and payment due date for those taxes. The new due date for reporting and paying these excise taxes with respect to a minimum required contribution is January 15, 2021.

The IRS announcement states that it overrides the due date provided on Form 5330 and under the Form 5330 instructions for reporting and paying the excise taxes under sections 4971(a)(1) and 4971(f)(1) with respect to a minimum required contribution to which the CARES Act applies.

Announcement 2020-17 cautions that it does not apply to the due dates for other excise taxes required to be reported on Form 5330.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)