



TaxNewsFlash

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Rev. Rul. 2020-23, Notice 2020-80: Distributions from terminating section 403(b) plans

The IRS today released advance versions of guidance regarding certain distributions from terminating section 403(b) plans.

As briefly noted in an IRS release—[IR-2020-251](#)—the IRS provided this guidance for employers and employees with terminating section 403(b) plans that fund benefits through section 403(b)(7) custodial accounts.

The following guidance reflects changes provided in the *Setting Every Community Up for Retirement Enhancement Act of 2019* (SECURE Act).

- [Rev. Rul. 2020-23](#) [PDF 41 KB] provides that: (1) section 403(b) retirement plans funded through individual or group section 403(b)(7) custodial accounts can be terminated through the distribution of individual custodial accounts; and (2) if a distributed custodial account continues to comply with certain requirements, no portion of the distributed custodial account is includible in gross income until amounts are actually paid out of the account to a participant or beneficiary.
- [Notice 2020-80](#) [PDF 56 KB] requests comments on the application of annuity and spousal rights provisions related to distributions in certain plans described in Rev. Rul. 2020-23. Comments are due on or before February 3, 2021.

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