



TaxNewsFlash

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IRS updates FAQs on relief for retirement plans, IRAs (COVID-19)

The IRS today issued a release noting that a set of “frequently asked questions” (FAQs) concerning coronavirus-related relief for retirement plans and IRAs has been updated.

The new FAQs address partial terminations under provisions of the “Taxpayer Certainty and Disaster Tax Relief Act of 2020.”

An IRS transmittal message explains that [five new FAQs](#) are intended to help clarify how partial terminations are determined during any plan year which includes the period beginning on March 13, 2020, and ending on March 31, 2021.

Text of the five new FAQs

Partial termination of a qualified retirement plan under section 209 of the “Taxpayer Certainty and Disaster Tax Relief Act of 2020”

Q1. What does Section 209 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act), Division EE of the Consolidated Appropriations Act, 2021, provide regarding partial termination of a qualified retirement plan? (added April 27, 2021)

A1. Section 209 of the Relief Act provides that a plan is not treated as having a partial termination (within the meaning of Internal Revenue Code Section 411(d)(3)) during any plan year which includes the period beginning on March 13, 2020, and ending on March 31, 2021, if the number of active participants covered by the plan on March 31, 2021, is at least 80% of the number of active participants covered by the plan on March 13, 2020.

Q2. Who is an “active participant covered by the plan”? (added April 27, 2021)

A2. For purposes of Section 209 of the Relief Act, a reasonable, good-faith interpretation of the term “active participant covered by the plan,” applied in a consistent manner, should be used when determining the number of active participants covered by a plan on March 13, 2020, and March 31, 2021.

Q3. How does Section 209 of the Relief Act apply to a plan year if only part of the plan year falls within the period beginning on March 13, 2020, and ending on March 31, 2021? (added April 27, 2021)

A3. If any part of the plan year falls within the period beginning on March 13, 2020, and ending on March 31, 2021, then Section 209 of the Relief Act applies to any partial termination determination for that entire plan year.

For example, if a plan has a calendar year plan year, the 80% partial termination test in Section 209 of the Relief Act applies to both the January 1 to December 31, 2020, plan year and the January 1 to December 31, 2021, plan year, because both plan years include a part of the statutory determination period of March 13, 2020 to March 31, 2021.

Q4. Is the 80% test applied by identifying the pool of active participants covered by a plan on March 31, 2021, and determining whether at least 80% of those same individuals were active participants covered by the plan on March 13, 2020? (added April 27, 2021)

A4. No. Section 209 of the Relief Act is applied by counting the number of active participants covered by a plan on each of those two dates. The number of active participants covered by a plan who are counted on March 31, 2021, includes all individuals who are active participants covered by the plan on that date, regardless of whether those same individuals were active participants covered by the plan on March 13, 2020.

Q5. Does Section 209 of the Relief Act apply solely to reductions in the number of active participants covered by a plan that are related to the COVID-19 national emergency? (added April 27, 2021)

A5. No. Although the first day of the statutory determination period - March 13, 2020 - is the date the COVID-19 national emergency was declared, the provision's terms are not limited to reductions related to the COVID-19 national emergency.

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