IRS

Rollovers of retirement plan and IRA distributions

COVID-19 Relief for Retirement Plans and IRAs

Information on this page may be affected by coronavirus relief for retirement plans and IRAs.

IRA/Retirement Plan 60-Day Rollover Waivers

Transcript

Most pre-retirement payments you receive from a retirement plan or IRA can be "rolled over" by depositing the payment in another retirement plan or IRA within 60 days. You can also have your financial institution or plan directly transfer the payment to another plan or IRA.

The rollover chart PDF summarizes allowable rollover transactions.

Why roll over?

When you roll over a retirement plan distribution, you generally don't pay tax on it until you withdraw it from the new plan. By rolling over, you're saving for your future and your money continues to grow tax-deferred.

If you don't roll over your payment, it will be taxable (other than qualified Roth distributions and any amounts already taxed) and you may also be subject to additional tax unless you're eligible for one of the exceptions to the 10% additional tax on early distributions.

How do I complete a rollover?

1. **Direct rollover** – If you're getting a distribution from a retirement plan, you can ask your plan administrator to make the payment directly to another retirement plan or to an IRA. Contact your plan administrator for instructions.

The administrator may issue your distribution in the form of a check made payable to your new account. No taxes will be withheld from your transfer amount.

2. **Trustee-to-trustee transfer** – If you're getting a distribution from an IRA, you can ask the financial institution holding your IRA to make the payment directly from your IRA to another IRA or to a retirement plan. No taxes will be withheld from your transfer amount.

3. **60-day rollover** – If a distribution from an IRA or a retirement plan is paid directly to you, you can deposit all or a portion of it in an IRA or a retirement plan within 60 days. Taxes will be withheld from a distribution from a retirement plan (see below), so you'll have to use other funds to roll over the full amount of the distribution.

When should I roll over?

You have 60 days from the date you receive an IRA or retirement plan distribution to roll it over to another plan or IRA. The IRS may waive the 60-day rollover requirement in certain situations if you missed the deadline because of circumstances beyond your control.

IRA one-rollover-per-year rule

You generally cannot make more than one rollover from the same IRA within a 1-year period. You also cannot make a rollover during this 1-year period from the IRA to which the distribution was rolled over.

Beginning after January 1, 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own (Announcement 2014-15 and Announcement 2014-32). The limit will apply by aggregating all of an individual's IRAs, including SEP and SIMPLE IRAs as well as traditional and Roth IRAs, effectively treating them as one IRA for purposes of the limit.

The one-per year limit does not apply to:

- rollovers from traditional IRAs to Roth IRAs (conversions)
- trustee-to-trustee transfers to another IRA
- IRA-to-plan rollovers
- plan-to-IRA rollovers
- plan-to-plan rollovers

Background of the one-per-year rule

Under the basic rollover rule, you don't have to include in your gross income any amount distributed to you from an IRA if you deposit the amount into another eligible plan (including an IRA) within 60 days (Internal Revenue Code Section 408(d)(3)); also see FAQs: Waivers of the 60-day rollover requirement). Internal Revenue Code Section 408(d)(3)(B) limits taxpayers to one IRA-to-IRA rollover in any 12-month period. Proposed Treasury Regulation Section 1.408-4(b)(4)(ii), published in 1981, and IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs) interpreted this limitation as applying on an IRA-by-IRA basis, meaning a rollover from one IRA to another would not affect a rollover involving other IRAs of the same individual. However, the Tax Court held in 2014 that you can't make a non-taxable rollover from one IRA to another if you have already made a rollover from any of your IRAs in the preceding 1-year period (Bobrow v. Commissioner, T.C. Memo. 2014-21).

Tax consequences of the one-rollover-per-year limit

Beginning in 2015, if you receive a distribution from an IRA of previously untaxed amounts:

- you must include the amounts in gross income if you made an IRA-to-IRA rollover in the preceding 12 months (unless the transition rule above applies), and
- you may be subject to the 10% early withdrawal tax on the amounts you include in gross income.

Additionally, if you pay the distributed amounts into another (or the same) IRA, the amounts may be:

- treated as an excess contribution, and
- taxed at 6% per year as long as they remain in the IRA.

Direct transfers of IRA money are not limited

This change won't affect your ability to transfer funds from one IRA trustee directly to another, because this type of transfer isn't a rollover (Revenue Ruling 78-406, 1978-2 C.B. 157). The one-rollover-per-year rule of Internal Revenue Code Section 408(d)(3)(B) applies only to rollovers.

Which types of distributions can I roll over?

IRAs: You can roll over all or part of any distribution from your IRA **except**:

1. A required minimum distribution or
2. A distribution of excess contributions and related earnings.

Retirement plans: You can roll over all or part of any distribution of your retirement plan account **except**:

1. Required minimum distributions,
2. Loans treated as a distribution,
3. Hardship distributions,
4. Distributions of excess contributions and related earnings,
5. A distribution that is one of a series of substantially equal payments,
6. Withdrawals electing out of automatic contribution arrangements,
7. Distributions to pay for accident, health or life insurance,
8. Dividends on employer securities, or
9. S corporation allocations treated as deemed distributions.

Distributions that can be rolled over are called "eligible rollover distributions." Of course, to get a distribution from a retirement plan, you have to meet the plan’s conditions for a distribution, such as termination of employment.

Will taxes be withheld from my distribution?

- **IRAs**: An IRA distribution paid to you is subject to 10% withholding unless you elect out of withholding or choose to have a different amount withheld. You can avoid withholding taxes if you choose to do a trustee-to-trustee transfer to another IRA.

- **Retirement plans**: A retirement plan distribution paid to you is subject to mandatory withholding of 20%, even if you intend to roll it over later. Withholding does not apply if you roll over the amount directly to another retirement plan or to an IRA. A distribution sent to you in the form of a check payable to the receiving plan or IRA is not subject to withholding.

How much can I roll over if taxes were withheld from my distribution?

If you have not elected a direct rollover, in the case of a distribution from a retirement plan, or you have not elected out of withholding in the case of a distribution from an IRA, your plan administrator or IRA trustee will withhold taxes from your distribution. If you later roll the distribution over within 60 days, you must use other funds to make up for the amount withheld.

Example: Jordan, age 42, received a $10,000 eligible rollover distribution from her 401(k) plan. Her employer withheld $2,000 from her distribution.

1. If Jordan later decides to roll over the $8,000, but not the $2,000 withheld, she will report $2,000 as taxable income, $8,000 as a nontaxable rollover, and $2,000 as taxes paid. Jordan must also pay the 10% additional tax on early distributions on the $2,000 unless she qualifies for an exception.
2. If Jordan decides to roll over the full $10,000, she must contribute $2,000 from other sources. Jordan will report $10,000 as a nontaxable rollover and $2,000 as taxes paid.

If you roll over the full amount of any eligible rollover distribution you receive (the actual amount received plus the 20% that was withheld - $10,000 in the example above):

- Your entire distribution would be tax-free, and
- You would avoid the 10% additional tax on early distributions.

What happens if I don't make any election regarding my retirement plan distribution?

The plan administrator must give you a written explanation of your rollover options for the distribution, including your right to have the distribution transferred directly to another retirement plan or to an IRA.

If you're no longer employed by the employer maintaining your retirement plan and your plan account is between $1,000 and $5,000, the plan administrator may deposit the money into an IRA in your name if you don't elect to receive the money or roll it over. If your plan account is $1,000 or less, the plan administrator may pay it to you, less, in most cases, 20% income tax withholding, without your consent. You can still roll over the distribution within 60 days.

Which retirement accounts can accept rollovers?

You can roll your money into almost any type of retirement plan or IRA. See the rollover chart PDF for options.

Is my retirement plan required to allow transfer of any amounts eligible for a distribution?

If you receive an eligible rollover distribution from your plan of $200 or more, your plan administrator must provide you with a notice informing you of your rights to roll over or transfer the distribution and must facilitate a direct transfer to another plan or IRA.

Is my retirement plan required to accept rollover contributions?

Your retirement plan is not required to accept rollover contributions. Check with your new plan administrator to find out if they are allowed and, if so, what type of contributions are accepted.

Additional resources

- Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs)
- YouTube video - IRA/retirement plan 60-day rollover waivers (.57 secs.)
- FAQs relating to waivers of the 60-day rollover requirement
- Rollovers of after-tax contributions in retirement plans
- Verifying rollover contributions - how plan administrators can check the validity of incoming rollover contributions
- Notice 2018-74, Safe Harbor Explanations – Eligible Rollover Distributions
- Notice 2009-75, Rollovers from employer plans to Roth IRAs

Page Last Reviewed or Updated: 11-Mar-2024