

Implementation of the CARES Act Extended January 1, 2021 Due Date for Contributions to Defined Benefit Plans

Notice 2020-82

Purpose

This notice provides that the IRS will treat a contribution to a single-employer defined benefit pension plan with an extended due date of January 1, 2021 pursuant to § 3608(a)(1) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No. 116-136, as timely if it is made no later than January 4, 2021 (which is the first business day after January 1, 2021).

Background

Section 412 of the Internal Revenue Code (Code) provides that a sponsor of a qualified defined benefit plan (other than a multiemployer plan as defined in § 414(f) or a CSEC plan as defined in § 414(y)) must make contributions to or under the plan for the plan year that, in the aggregate, are not less than the minimum required contribution determined under § 430 for the plan year. Section 430(j)(1) provides that the due date for the payment of any minimum required contribution for a plan year is 8½ months after the close of the plan year. Section 430(j)(3) provides that if the plan had a funding shortfall (as defined in § 430(c)(4)) for the preceding plan year, then the plan sponsor must pay four quarterly installments toward the required minimum contribution for the plan year. The due dates for the installments are April 15, July 15, and October 15 of the plan year, and January 15 of the following year (adjusted for a plan year that is not a calendar year under § 1.430(j)-1(c)(6)).

Under § 430(f), the plan sponsor of a defined benefit plan that is not a multiemployer plan may elect to maintain a prefunding balance that may be used, at the plan sponsor's election, to offset the minimum required contribution for a plan year. Under § 430(f)(6)(B)(i), a plan sponsor may elect to add contributions that exceed the minimum required contribution for a plan year (adjusted with interest using the effective interest rate for the plan year in accordance with § 430(f)(6)(B)(ii)) to the plan's prefunding balance. Section 1.430(f)-1(f)(1)(i) generally provides that any election under § 430(f) by the plan sponsor must be made by providing written notification of the election to the plan's enrolled actuary and the plan administrator. Section 1.430(f)-1(f)(2)(i) generally provides that any election under § 430(f) with respect to a plan year must be made no later than the last date for making the minimum required contribution for the plan year as described in § 430(j)(1), or such later date as prescribed in guidance published in the Internal Revenue Bulletin.

Section 3608(a)(1) of the CARES Act provides that any minimum required contribution that would otherwise be due under § 430(j) of the Code (and § 303(j) of the Employee Retirement Income Security Act, Pub. L. 93-406, as amended (ERISA)) during calendar year 2020 (including quarterly installments under § 430(j)(3) of the Code and § 303(j)(3) of ERISA) is due on January 1, 2021. Notice 2020-61, 2020-35 I.R.B. 468, provides guidance regarding the extension of time for single-employer defined benefit plan contributions under § 3608(a)(1) of the CARES Act and related interest adjustments.

Under § 101 of Reorganization Plan No. 4 of 1978 (43 FR 47713) and § 3002(c) of ERISA, the Secretary of the Treasury has interpretive jurisdiction over the subject matter addressed in this notice for purposes of ERISA, as well as the Code. Thus, the provisions of this notice pertaining to § 430 of the Code also apply for purposes of § 303 of ERISA.

Date for making contributions

The extension of the due date for contributions covered by § 3608(a)(1) of the CARES Act to January 1, 2021, is intended to allow employers sponsoring these plans to defer these payment obligations until calendar year 2021. Deferring these payment obligations until calendar year 2021 helps employers to alleviate an additional adverse impact on their businesses that were already harmed by the COVID-19 pandemic. However, financial institutions cannot transfer funds on the January 1, 2021 due date. This effectively requires many employers to make these contributions prior to January 1, 2021, which would be inconsistent with the legislative intent to defer the payment obligation until calendar year 2021.

In order to achieve this deferral of the payment obligation until calendar year 2021 for all employers impacted by § 3608(a)(1) of the CARES Act, the IRS will treat a contribution with an extended due date of January 1, 2021 pursuant to § 3608(a)(1) of the CARES Act as timely if it is made no later than January 4, 2021 (which is the first business day after January 1, 2021). However, for a contribution that is made by January 4, 2021, and is treated as timely pursuant to this notice, the amount of the minimum required contribution that is satisfied by the contribution (and the amount that may be added to the plan's prefunding balance on account of any excess contribution) is determined by computing the applicable interest adjustment using the actual contribution date.¹

To conform the due date for relevant elections related to a plan's funding balances to the treatment provided by this notice, if the plan year is a plan year for which the extended due date for minimum required contributions under § 3608(a) of the CARES Act applies, then the deadline for a plan sponsor's election to add to a prefunding balance or to use a prefunding balance or a funding standard carryover balance to

¹ See Notice 2020-61 for guidance regarding the contributions to which § 3608(a)(1) of the CARES Act applies and the interest adjustments pursuant to § 3608(a)(2).

offset the minimum required contribution for that plan year is extended to January 4, 2021.²

This notice does not affect the treatment of a contribution that is due on January 1, 2021, pursuant to § 3608(a)(1) of the CARES Act, but that is not made by January 4, 2021. Thus, the computations in Example 1(b) of Q&A-6 of Notice 2020-61 (which illustrate a situation in which required contributions due on January 1, 2021, pursuant to § 3608(a)(1) of the CARES Act are made on February 15, 2021) are not affected by this notice.

Effect on other documents

Notice 2020-61 is modified.

Drafting information

The principal author of this notice is Tom Morgan of the Office of the Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). However, other personnel from the IRS participated in the development of this guidance. For further information regarding this notice, contact Mr. Morgan or Linda Marshall at 202-317-6700 (not a toll-free call).

² Q&A-10 of Notice 2020-61 extended the due date for these elections to January 1, 2021.