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Torrillo & Associates

Benefit Plan Audit Specialists

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IRS Provides Guidance on Distributions from Terminating 403(b) Plans



The Department of the Treasury and the Internal Revenue Service issued guidance for employers and employees with terminating [403\(b\) plans](#) that fund benefits through 403(b)(7) custodial accounts. The guidance reflects changes provided in the [Setting Every](#)

[Community Up for Retirement Enhancement Act of 2019 \(SECURE Act\)](#).

[Revenue Ruling 2020-23 PDF](#) provides that 403(b) retirement plans funded through individual or group 403(b)(7) custodial accounts can be terminated through the distribution of individual custodial accounts. 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](#) requests comments on the application of annuity and spousal rights provisions related to distributions in certain plans described in Revenue Ruling 2020-23.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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