

The IRS Doesn't Disappoint...Again

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As imagined by plan sponsors of closed defined benefit pension plans, the IRS issued Notice 2019-49, the fifth extension for an additional year of the temporary nondiscrimination relief for “closed” defined benefit pension plans originally announced by the IRS during 2014. The extended relief applies to plan years beginning before 2021 for those “closed” plans that satisfy certain conditions in Notice 2014-5. The relief for “closed” defined benefit plans refers to those defined benefit plans amended prior to December 13, 2013, to limit ongoing accruals to some or all employed participants in the plan as of a particular date, thus no longer admitting new participants into the plan.

Each extension has been in anticipation of finalization of the proposed regulations issued in January 2016. The IRS received many comments on the proposed regulations and expects the final regulations to include several significant changes in response to the comments. By extending the relief another year, the IRS acknowledges the plans will need sufficient time to make plan design decisions based on the final regulations, yet to be published, before the end of the most recent extension which is December 31, 2019.

Notice 2019-49 does not indicate when to expect the final regulations but states an expectation the final regulations will allow reliance on the proposed regulations for plan years beginning before 2021. Congress is considering legislation that would include both permanent and partial types of targeted relief from nondiscrimination testing for qualifying closed DB plans. Both a Bill passed by the House earlier in the year and a new recently proposed stand-alone Senate Bill are now pending before the Senate.

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National Law Review, Volume IX, Number 239

Source URL: <https://natlawreview.com/article/irs-doesn-t-disappoint-again>