

# Internal Revenue Code Section 401(a)(31)

## Direct Transfers of Eligible Rollover Distributions

### (31) Direct transfer of eligible rollover distributions

#### (A) In general

A trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if the distributee of any eligible rollover distribution—

(i) elects to have such distribution paid directly to an eligible retirement plan, and

(ii) specifies the eligible retirement plan to which such distribution is to be paid (in such form and at such time as the plan administrator may prescribe),

such distribution shall be made in the form of a direct trustee-to-trustee transfer to the eligible retirement plan so specified.

#### (B) Certain mandatory distributions.—

##### (i) In general

In case of a trust which is part of an eligible plan, such trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if—

(I) a distribution described in clause (ii) in excess of \$1,000 is made, and

(II) the distributee does not make an election under subparagraph (A) and does not elect to receive the distribution directly,

the plan administrator shall make such transfer to an individual retirement plan of a designated trustee or issuer and shall notify the distributee in writing (either separately or as part of the notice under section 402(f)) that the distribution may be transferred to another individual retirement plan.

**Caution: Code Section 401(a)(31)(B)(ii) below, is before amendment by SECURE Act 2.0 and is effective for distributions made on or before December 31, 2023.**

##### (ii) Eligible plan

For purposes of clause (i), the term “eligible plan” means a plan which provides that any nonforfeitable accrued benefit for which the present value (as determined under section 411(a)(11)) does not exceed \$5,000 shall be immediately distributed to the participant.

**Caution: Code Section 401(a)(31)(B)(ii) below, is after amendment by SECURE Act 2.0 and is effective for distributions made after December 31, 2023.**

##### (ii) Eligible plan

For purposes of clause (i), the term “eligible plan” means a plan which provides that any nonforfeitable accrued benefit for which the present value (as determined under section 411(a)(11)) does not exceed \$7,000 shall be immediately distributed to the participant.

**(C) Limitation**

Subparagraphs (A) and (B) shall apply only to the extent that the eligible rollover distribution would be includible in gross income if not transferred as provided in subparagraph (A) (determined without regard to sections 402(c), 403(a)(4), 403(b)(8), and 457(e)(16)). The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

(i) is a qualified trust which is part of a plan which is a defined contribution plan and agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).

**(D) Eligible rollover distribution**

For purposes of this paragraph, the term “eligible rollover distribution” has the meaning given such term by section 402(f)(2)(A).

**(E) Eligible retirement plan**

For purposes of this paragraph, the term “eligible retirement plan” has the meaning given such term by section 402(c)(8)(B), except that a qualified trust shall be considered an eligible retirement plan only if it is a defined contribution plan, the terms of which permit the acceptance of rollover distributions.

*Text contains those laws in effect on March 27, 2024*