

RMD Requirements for Inherited Retirement Accounts

The SECURE Act, signed into law on December 20, 2019, changed the rules for distributions of inherited retirement plans, including inherited IRAs. One big change is the requirement for the account to be fully distributed by the end of 10 years from the year of death. (There are exceptions to this when the beneficiary of the account is the decedent's spouse, minor child, and a few other situations. These are not discussed in this article.)

Under former regulations, when a retirement account was inherited AND the decedent had already reached the required beginning date for taking distributions, the beneficiary of the account had to continue taking required distributions. The SECURE Act change created an "empty it within 10 years" provision and many taxpayers and tax professionals thought this REPLACED the requirement to continue taking distributions.

On February 24, 2022, IRS released proposed regulations. One portion of these proposed regulations stated the benie of an inherited account is required to continue to take annual distributions (RMDs) each year, AND empty the account by the end of the 10th year after the year of death. These proposed regulations gave relief for 2021, but stated the RMD must begin no later than 2022.

Because of this unclear issue, many benies that fell into this situation did not take an RMD for 2021. Many benies have not yet taken an RMD for 2022.

Now IRS has released Notice 2022-53. It repeats the requirement under the proposed regulations for the benie to continue RMDs when the deceased had already reached the requiring beginning date.

Notice 2022-53 also provides relief for calendar years 2021 and 2022 by saying a taxpayer who failed to take a specified RMD "will not be treated as having failed" to satisfy the requirement and therefore, will NOT be assessed the 50% excise tax penalty. It also says anyone who did pay such a penalty may request a refund.

Summary of the rules when the deceased had reached the required beginning date:

- 1) Benies must continue RMDs.
- 2) Benies will not have a penalty if they didn't continue the RMDs for 2021 or 2022.
- 3) Benies must empty the account by the end of the 10th year after the decedent's death.

A copy of Notice 2022-53 can be found at www.irs.gov/pub/ by clicking on irs-drop and then clicking on n-2022-53.

This text has been shared courtesy of: David & Mary Mellem, EAs & Ashwaubenon Tax Professionals, 920-496-1065 (fax 920-496-9111).

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