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RMDs: Transition Relief and Guidance from IRS

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On July 14, 2023, the Internal Revenue Service (IRS) issued Notice 2023-54 in response to comments and questions related to changes made by the SECURE 2.0 Act.

From the IRS: "This notice provides transition relief for plan administrators, payors, plan participants, IRA owners, and beneficiaries in connection with the change in the required beginning date for required minimum distributions (RMDs) under § 401(a)(9) of the Internal Revenue Code (Code) pursuant to § 107 of the SECURE 2.0 Act of 2022 (SECURE 2.0 Act), enacted on December 29, 2022."

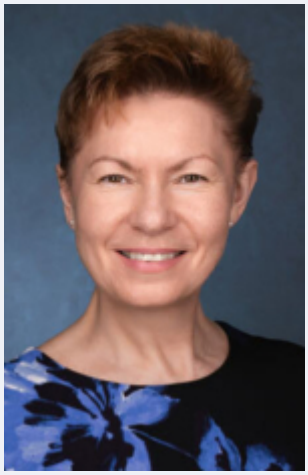
It provides guidance related to certain specified RMDs for 2023. In addition, this notice announces that the final regulations that the Department of the Treasury (Treasury Department) and the IRS intend to issue related to RMDs will apply for purposes of determining RMDs for calendar years beginning no earlier than 2024.

SECURE 2.0 changed the required beginning date from age 72 to ages 73 through 75, depending on the birth year. Plan administrators, payors, plan participants, IRA owners, and beneficiaries were not equipped to address the changes in timely manner. In addition, the Proposed Regulations issued by the IRS in February of 2022 as related to RMDs caught a number of providers by surprise for not only applying the rules retroactively to calendar year 2022, but also clarifying RMD rules for those who inherit retirement accounts after the participant/IRA owner's required beginning date.

Specifically, the so-called "10-year rule" applies differently to RMDs under the Treasury Department and the IRS Proposed Regulations regarding RMDs under § 401(a)(9) of the Code and related provisions in the Federal Register, published on February 24, 2022 (87 FR 10504), based on whether the owner died before or after the required beginning date.

As such, the IRS granted relief to the plan administrators, payors, plan participants, IRA beneficiaries by waiving excise taxes on missed RMDs for 2022 due to interpretation of SECURE Act 10-year rule as not requiring any RMDs until the 10th year of the owner's death. Also, the Notice 2023-54 allows the IRA owners who attain age 72 in 2023 to roll over by September 20, 2023 the RMDs that they received in 2023 (as originally required by SECURE).

If you have any questions about this Notice or anything related to employee benefits plans, RMDs, or the SECURE Act, please feel free to contact **Nadia Havard**, or call us at 814-459-2800.



Nadia A. Havard

Nadia A. Havard concentrates her practice in all areas of qualified and nonqualified retirement plans and employee benefits; transfer taxes; fiduciary income tax and trust administration; business; as well as estate planning and administration. She also helps nonprofits obtain and maintain their tax-exempt status.

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