

Certain Required Minimum Distributions for 2024

Cross References

- Notice 2024-35

Qualified plans and IRAs are subject to the required minimum distribution (RMD) rules, which require the owner to start taking minimum distributions by a certain age. If the owner dies, the designated beneficiary of the plan is subject to the RMD rules.

In general, if a designated beneficiary is the surviving spouse of the decedent, the surviving spouse may elect to be treated as the owner of the qualified plan or IRA, and not as the beneficiary. If this election is made, the surviving spouse determines RMDs as if he or she was the owner beginning with the year of the election.

An eligible designated beneficiary may take distributions over his or her lifetime. An eligible designated beneficiary is a surviving spouse, an individual who is disabled, an individual who is chronically ill, an individual who is not more than 10 years younger than the decedent, or the decedent's minor child under age 21.

For accounts inherited after December 31, 2019, a 10-year rule applies to all other designated beneficiaries who are not eligible beneficiaries (a designated beneficiary who is more than 10 years younger than the decedent, such as the decedent's child who is not a minor child).

If the 10-year rule applies, it applies regardless of whether the owner dies before or after the required beginning date for taking RMDs. The 10-year rule means the remainder of the decedent's account balance must be distributed within 10 years after the death of the decedent.

A similar 5-year rule applied to accounts inherited before January 1, 2020. Under the 5-year rule, the entire account balance could be distributed at the end of the five years. Proposed regulation issued by the IRS in 2022 said that under the new 10-year rule, distributions had to be made at least annually starting with the calendar year after the calendar year of the decedent's death, with the entire balance being distributed by the end of the 10th year.

This caused confusion amongst individuals who thought that the 10-year rule would apply like the old 5-year rule, meaning that they would not have to take any RMD until the end of the 10-year period following the death of the decedent. As a result, some who inherited accounts during 2020 did not take an RMD in 2021 and were unsure of whether they would be required to take an RMD in 2022. Commenters on the proposed regulations asserted that, if final regulations adopt the interpretation of the 10-year rule in the proposed regulations, the IRS should provide transition relief for failure to take RMDs that were due in 2021 or 2022.

In response to these comments, the IRS issued Notice 2022-53 which announced that the final regulations would apply no earlier than the 2023 distribution calendar year and said taxpayers who did not take a specified RMD in 2021 or 2022 would not be subject to the penalty for failing to take the specified RMD.

Subsequently, the IRS issued Notice 2023-54, which extended the relief in Notice 2022-53 to 2023 RMDs, meaning the final regulations would not apply until 2024.

Notice 2024-35 now states that the final regulations regarding RMDs are anticipated to apply for determining RMDs for calendar year 2025 and beyond. Thus, no penalty will apply for plans that did not make a specified RMD for 2024. This rule applies for owners of qualified plans or IRAs who died in 2020, 2021, 2022, or 2023 and the designated beneficiary is not an eligible designated beneficiary taking distributions over his or her life expectancy.