

MEMO# 11552

January 14, 2000

IRS RELEASES PRIVATE LETTER RULING ON IRA DISTRIBUTIONS

[11552] January 14, 2000 TO: PENSION COMMITTEE No. 3-00 RE: IRS RELEASES PRIVATE LETTER RULING ON IRA DISTRIBUTIONS

The Internal Revenue Service has released a Private Letter Ruling (199951053) allowing designated beneficiaries to take distributions over the life expectancy of the oldest beneficiary following the death of the IRA owner, despite the fact that the IRA owner had been taking distributions based on her single life expectancy using the annual recalculation method. The facts of the ruling are as follows. The IRA owner elected in 1996, the year of her husband's death, to treat his IRA as her own. She also named her three sons as beneficiaries of the IRA. The IRA owner then began taking distributions from the IRA based on her single life expectancy, recalculated annually. The IRA owner died in 1998 and, beginning in 1999, her beneficiaries wished to distribute the remaining amount in the IRA over the life expectancy of the oldest beneficiary, notwithstanding the fact that the IRA owner took distributions over her single life expectancy, recalculated annually. The issue is whether post-death distributions from the IRA owner's IRA may be made over the oldest beneficiary's life expectancy even though the IRA owner took distributions over her single life expectancy recalculated over her lifetime without violating the "at least as rapidly" rule of Code section 401(a)(9). The Service ruled that the IRA owner designated her beneficiaries in a timely manner. Further, the Service stated that the IRA owner could have received distributions over her and her oldest son's joint life expectancy during her lifetime. Such distributions would have satisfied the minimum distribution rules. Instead, she chose to receive distributions over her recalculated single life expectancy. By choosing to take distributions over her single life expectancy, the Service noted that the IRA owner received distributions in amounts greater than the minimum distribution rules, i.e., she chose to accelerate receipt of her lifetime distributions. Thus, although the IRA owner did not use the oldest beneficiary's life expectancy in computing her lifetime distributions, the Service ruled that the oldest beneficiary's life expectancy may be used to determine post-death required distributions to the IRA owner's beneficiaries. Therefore, the Service ruled that the "at least as rapidly" rule would not be violated if post-death distributions are calculated using the life expectancy of the oldest son because the IRA owner could have used his life expectancy to determine the amount of her lifetime minimum required distributions. A copy of PLR 199951053 is attached. Kathryn A. Ricard Associate Counsel Attachment

should not be considered a substitute for, legal advice.