

**MEMO# 15652**

February 25, 2003

## **DRAFT INSTITUTE LETTER CONCERNING SEPARATE ACCOUNT ISSUES UNDER THE FINAL REQUIRED MINIMUM DISTRIBUTION REGULATIONS**

[15652] February 25, 2003 TO: PENSION COMMITTEE No. 4-03 PENSION OPERATIONS ADVISORY COMMITTEE No. 10-03 RE: DRAFT INSTITUTE LETTER CONCERNING SEPARATE ACCOUNT ISSUES UNDER THE FINAL REQUIRED MINIMUM DISTRIBUTION REGULATIONS

Attached for your review is a draft of a letter to the Department of Treasury concerning the timing requirements applicable to the establishment of separate accounts for purposes of required minimum distributions (RMDs) under section 401(a)(9) of the Internal Revenue Code. Specifically, the letter urges the Treasury Department and the Internal Revenue Service to allow separate accounts established in the calendar year after the year of death (Year D+1) to be treated separately for RMD purposes beginning in Year D+1. Under the current rule, such separate accounts would not be recognized until the following year (Year D+2), which may require some beneficiaries to take larger distributions in Year D+1. The letter argues that this rule arbitrarily discriminates against certain beneficiaries solely on the basis of when the IRA owner dies and how quickly separate accounts are established after the owner's death. The letter also provides an example detailing the differing treatment of otherwise similarly situated beneficiaries whose separate accounts are established in different years. Please forward any comments to me by phone at 202/371-5432, by fax at 202/326-5841, or by email at [kireland@ici.org](mailto:kireland@ici.org) by Monday, March 3, 2003. Kathy D. Ireland Senior Associate Counsel Attachment (in .pdf format)