

**MEMO# 15940**

April 24, 2003

# **INSTITUTE LETTER TO DEPARTMENT OF TREASURY CONCERNING SEPARATE ACCOUNTS AND REQUIRED MINIMUM DISTRIBUTIONS**

[15940] April 24, 2003 TO: PENSION MEMBERS No. 16-03 PENSION OPERATIONS ADVISORY COMMITTEE No. 20-03 RE: INSTITUTE LETTER TO DEPARTMENT OF TREASURY CONCERNING SEPARATE ACCOUNTS AND REQUIRED MINIMUM DISTRIBUTIONS The Institute has submitted the attached letter to the Department of the Treasury concerning the timing requirements applicable to the establishment of separate accounts for purposes of required minimum distributions under section 401(a)(9) of the Internal Revenue Code following the death of an IRA owner before his required beginning date. 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 bases 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. Kathy D. Ireland Senior Associate Counsel Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 15940, or call the ICI Library at (202) 326-8304 and request the attachment for memo 15940. Attachment (in .pdf format)