

MEMO# 35682

April 17, 2024

IRS Extends RMD Relief Through 2024 for Application of 10-Year Rule Under SECURE Act of 2019

[35682]

April 16, 2024

TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension

Tax RE: IRS Extends RMD Relief Through 2024 for Application of 10-Year Rule Under SECURE Act of 2019

On April 16, 2024, the Internal Revenue Service (IRS) issued Notice 2024-35,[\[1\]](#) extending IRS's existing relief for missed required minimum distributions (RMDs) related to IRS's interpretation of changes made by the Setting Every Community Up for Retirement Enhancement Act (the SECURE Act) of 2019 to the RMD rules for post-death distributions from DC plans and IRAs to beneficiaries.[\[2\]](#) The Notice also indicates that the upcoming final RMD regulations will apply for purposes of determining RMDs for calendar years beginning on or after January 1, 2025 (extended from January 1, 2024).

Background

As a reminder, the IRS issued proposed regulations in February 2022 amending the regulations governing RMDs from retirement plans and IRAs to reflect changes made by the SECURE Act and other legislation.[\[3\]](#) The proposal indicated that the regulations, when finalized, would apply beginning with the 2022 distribution calendar year. The proposed regulations included an interpretation that would apply the "at least as rapidly rule" simultaneously with the new 10-year rule for designated beneficiaries when the employee/account owner dies on or after the required beginning date.[\[4\]](#) Commenters on the proposed regulations (including ICI)[\[5\]](#) raised concerns about having to comply with the amended regulations in the 2022 distribution year and about application of the "at least as rapidly" rule to beneficiaries subject to the new 10-year payout rule. In addition to disagreeing with the interpretation itself, many commenters noted that beneficiaries subject to the new 10-year payout rule (which was effective with respect to deaths after 2019) may not have taken an annual distribution in 2021 or 2022 under a reasonable belief that the "at least as rapidly" rule would not apply.

Prior and New Relief

In October 2022, IRS issued Notice 2022-53, providing transition relief for 2021 and 2022, under which plans and IRAs will not be treated as violating the RMD rules because of missed annual distributions under certain circumstances.^[6] Notice 2023-54 extended that relief for an additional year^[7] through 2023. Notice 2024-35 now further extends this relief for another year through 2024.

The transition relief, as extended to distributions that would be required in 2024, applies to failures to have made a distribution under the interpretation in the proposed regulations, where the distribution would have been required to be made to:

- A designated beneficiary of an employee under the plan (or IRA owner) if: (1) the employee (or IRA owner) died in 2020, 2021, 2022, or 2023 and on or after the employee's (or IRA owner's) required beginning date, and (2) the designated beneficiary is not taking lifetime or life expectancy payments pursuant to Code section 401(a)(9)(B)(iii); or
- A beneficiary of an eligible designated beneficiary (including a designated beneficiary who is treated as an eligible designated beneficiary pursuant to section 401(b)(5) of the SECURE Act) if: (1) the eligible designated beneficiary died in 2020, 2021, 2022, or 2023 and (2) that eligible designated beneficiary was taking lifetime or life expectancy payments pursuant to Code section 401(a)(9)(B)(iii).

Notably, Notice 2024-35 indicates that the final RMD regulations will apply no earlier than the 2025 distribution calendar year (Notice 2022-53 had indicated that the final regulations would apply no earlier than the 2023 distribution calendar year, and Notice 2023-54 had indicated that they would apply no earlier than the 2024 distribution calendar year).

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Notes

^[1] Notice 2024-35 is available at <https://www.irs.gov/pub/irs-drop/n-24-35.pdf>.

^[2] For an overview of the SECURE Act, see ICI Memorandum No. 32118, dated December 20, 2019, available at <https://www.ici.org/memo32118>.

^[3] For background and a description of the proposal, see ICI Memorandum No. 34057, dated March 4, 2022, available at <https://www.ici.org/memo34057-0>.

^[4] Under this interpretation in the proposed regulations, in the case of an employee/account owner who dies after his or her required beginning date with a designated beneficiary who is not an "eligible designated beneficiary" (and for whom the life expectancy distribution alternative to the 10-year rule is not applicable), annual RMDs must continue to be taken after the death of the employee/account owner, with a full distribution required by the end of the 10th calendar year following the calendar year of the employee's/account owner's death.

^[5] For ICI's comment letter, see ICI Memorandum No. 34160, dated May 25, 2022, available at <https://www.ici.org/memo34160>.

[6] For a summary of Notice 2022-53, see ICI Memorandum No. 34307, dated October 10, 2022, available at <https://www.ici.org/memo34307>.

[7] For a summary of Notice 2023-54, see ICI Memorandum No. 35378, dated July 19, 2023, available at <https://www.ici.org/memo35378>.

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