

Another IRS Notice about RMDs from Inherited Accounts

Beneficiaries of inherited IRAs have distributions waived for another year. Here's what IRS Notice 2024-35 has to say about how the SECURE Act affects clients with IRA accounts inherited on or after 1/1/20.

Is it déjà vu? Once again, the IRS has provided additional guidance to address the confusion surrounding distributions from inherited IRAs.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 changed the rules for inherited retirement accounts, including traditional and Roth IRAs. Most beneficiaries who inherited qualified accounts in 2020 or later were required to liquidate the inherited asset within 10 years. But one proposed requirement—that some beneficiaries must take annual required minimum distributions (RMDs) from the account during the 10 years—is still causing confusion. For our purposes, this discussion focuses on designated beneficiaries, or individual beneficiaries who are non-spousal and not a minor child of the account owner.

When the SECURE Act was issued, most experts interpreted the 10-year rule in the same way as the five-year rule: No need to take an annual RMD—just liquidate the account completely by the fifth (or tenth) year. In February 2022, proposed regulations from the Treasury provided a very different interpretation: Beneficiaries of accounts were separated based on the account owner's age at death. Remember, as these are regulations to the existing legislation, they apply from the effective date of the original document—in this case, 2020. And while 2020 was a "skip year" for RMDs because of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, 2021 and 2022 were not. The retirement-planning world was forced to grapple with the possibility that some inherited-account holders had missed a required distribution.

The Original Change and Subsequent Notices

The Change: IRA/Retirement-Account Owner's Age

Currently, the required beginning date (RBD) is the age that a retiree/IRA owner must start taking RMDs. Per the proposed regulations:

- If the owner had not reached the RBD age when he/she died, the account would need to be liquidated by December 31 of the year of the tenth anniversary of the owner's death.
- If the owner died on or after the RBD and was taking RMDs, not only do the beneficiaries have to liquidate the account in 10 years, but they also must take annual RMDs during the first nine years. This resulted from the application of the "at least as rapidly as" (ALAR) rule.

Notice 2022-53: This notice provided some relief to designated beneficiaries who did not take RMDs, since the SECURE Act was implemented in 2020. Keep in mind that RMDs were waived in 2020 due to the pandemic. The 50% penalty also was waived for RMDs not taken in 2021 and 2022. Note that the Notice did not waive RMDs for 2021 and 2022, it simply stated that there would be no penalty. If the 50% penalty was paid, the taxpayer could request a refund.

Notice 2023-54: This notice extended the relief to 2023 for designated beneficiaries who did not take RMDs after the SECURE Act was implemented in 2020. As in Notice 2022-53, the IRS waived penalties for distributions not taken. The Notice also noted that the proposed regulations "will apply" in 2024.

Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state.

**No bank guarantee • Not a deposit • May lose value
Not FDIC/NCUA insured • Not insured by any federal government agency**

NEW Notice 2024-35: Released on 4/16/24, this Notice extends relief through 2024. That is, certain beneficiaries of inherited IRAs will not be penalized if they do not take a distribution in 2024. The Notice also notes that proposed regulations “are anticipated to apply” for calendar years starting on or after 1/1/25. Because the language “are anticipated to apply” is more ambiguous than “will apply,” it is not currently clear what will happen going forward.

ACTIONS YOU CAN TAKE RIGHT NOW

- Contact clients who inherited IRAs or qualified accounts on or after 1/1/20.
- Discuss the relief offered by the new IRS Notice 2024-35.
- Determine whether clients want to modify their retirement-income plans based on the new proposed regulation.

What’s Next?

Remember that the proposed regulations regarding inherited RMDs are just that—proposed. They are not yet final. The most recent notice issued by the IRS was simply to answer the “what if” question that many financial professionals and clients had about distribution requirements for 2024. For now, share the good news: 2024 is another year that certain designated beneficiaries will not be penalized if they choose not to take distributions from their inherited IRAs.

Additional Resources and Links

[Notice 2022-53](#)

[Notice 2023-54](#)

[Notice 2024-35](#)

[The SECURE Act: Key Retirement Plan Provisions](#)

For more information about retirement planning,
please contact our Retirement Strategies Group at
RSG@PacificLife.com or (800) 722-2333, ext. 3939.

Annuities.Pacificlife.com

This material is provided for informational purposes only and should not be construed as investment, tax, or legal advice. Information is based on current laws, which are subject to change at any time. Clients should consult with their accounting or tax professionals for guidance regarding their specific financial situations.

Pacific Life refers to Pacific Life Insurance Company and its subsidiary Pacific Life & Annuity Company. Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues.

The home office for Pacific Life & Annuity Company is located in Phoenix, Arizona. The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.

2 of 2

VLQ3588BG-2400

This material is educational and intended for an audience with financial services knowledge. 6/24 E627