The Weekly Scenario: Required Minimum Distribution (“RMD”) under the SECURE Act

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Is there a year of death for Required Minimum Distribution ("RMD") under the SECURE Act?

Even over a year in the passage of the SECURE Act, many questions remain about the correct way to handle the RMD in the year of death.

The RMD for the year of death will only need to be taken if the IRA owner died on or after their required beginning date (RBD) and had not already taken all of their RMD. Under the new rules of the SECURE Act, the RBD is now April 1 of the year following the year the IRA owner reaches age 72. Note that all Roth IRA owners are considered to have died before their RBD. This means that there is never a year-of-death RMD required from a Roth IRA. Nothing needs to be withdrawn in the year of death.

Example 1: Jane's 72nd birthday is November 21, 2021. She died in December of 2021 without taking her 2021 RMD. Jane died before her RBD (April 1, 2022). Therefore, no RMD is required for the year of her death (2021).

The RMD for the year of death is calculated as if the IRA owner had lived for that year. This means it will be calculated using the Uniform Lifetime Table. The requirement that a year-of-death RMD be taken is unaffected by the SECURE Act. This is because the changes made in the SECURE Act to the calculation of RMDs deal only with post-death RMDs. The amount of the year-of-death RMD is based on the IRA owner's pre-death lifetime payments.

Example 2: Dave, age 75, dies in 2021. The year-of-death RMD that must be taken from his IRA will still be calculated using the factor that corresponds to his age 75 on the Uniform Lifetime Table (22.9).

If the year-of-death RMD was not already taken by the IRA owner, it must be taken by the beneficiary. It is not paid to the IRA owner's estate (unless the estate is named as the beneficiary). The beneficiary will also pay the tax on the distribution.

The SECURE Act's requirement that non-spouse beneficiaries use the 10-year rule does NOT remove the beneficiary's responsibility to take the year-of-death RMD.

Example 3: Sam died in 2021 at age 81. He named his nephew Joey as his IRA beneficiary. However, Sam did not take his RMD prior to his death. Joey is a non-eligible designated beneficiary and is subject to the 10-year payout term. Joey is responsible for taking his uncle's year-of-death RMD prior to the end of 2021.

As always, if you have any questions or would like to learn more, please contact Steve Shane at sshane@offitkurman.com or 301.575.0313.