Relief for Reporting RMDs for IRAs in 2023

Mar 16, 2023

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On March 7, 2023, the Internal Revenue Service (IRS) released Notice 2023-23, which provides guidance to financial institutions on reporting required minimum distributions following amendments to the Internal Revenue Code's required minimum distribution (RMD) rules in the SECURE Act 2.0 of 2022 ("SECURE Act 2.0"). Enacted on December 29, 2022, as part of the Consolidated Appropriations Act, 2023, 117-328, SECURE Act 2.0 included a number of provisions aimed at increasing retirement savings.

Section 107 of SECURE Act 2.0 increased the referenced age prong of the definition of "required beginning date," which is the date by which the first RMD must begin under the RMD rules. Prior to the changes, the "required beginning date" for an individual retirement account (IRA) owner was April 1 of the calendar year following the calendar year in which the IRA owner turned age 72. SECURE Act 2.0 increased the referenced age from 72 to 73 for individuals who turned age 72 after December 31, 2022, and then from 73 to 75 for individuals who turned age 74 after December 31, 2032.

As a result, an IRA owner who turns age 72 in 2023 will not be required to take his or her first RMD (*i.e.*, his or her 2024 RMD) until April 1 of 2025. Prior to SECURE Act 2.0, such IRA owner would have been subject to a 2023 RMD, which would have to be paid by the April 1 of 2024.

Notice 2023-23 provides relief to IRA providers in connection with certain required reporting obligations regarding IRA owners who turn age 72 in 2023. Because SECURE Act 2.0 was passed late in 2022, IRA providers have not had much time to update their systems for furnishing required statements to IRA owners. As a result, Notice 2023-23 provides that the IRS will not consider an RMD statement provided to an IRA owner turning 72 in 2023 to have been provided incorrectly so long as the IRA provider notifies the IRA owner, no later than April 28, 2023, that no RMD is actually required for 2023.

The IRS also encouraged IRA providers to remind IRA owners who turned age 72 in 2022 and have not yet taken their 2022 RMD that they are still required to take those distributions by April 1, 2023. For more information, contact the author or any member of Frost Brown Todd's Employee Benefits & ERISA practice.