Required Minimum Distributions

Interesting, Minimum Information

Please see our Tax Professionals for Your Specific Questions

We thank the IRS for the following guidelines:

What are Required Minimum Distributions?

Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 70 ½ years of age or, if later, the year in which he or she retires. However, if the retirement plan account is an IRA or the account owner is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin once the account holder is age 70 ½, regardless of whether he or she is retired.

Retirement plan participants and IRA owners are responsible for taking the correct amount of RMDs on time every year from their accounts, and they face stiff penalties for failure to take RMDs.

When a retirement plan account owner or IRA owner dies before RMDs have begun, different RMD rules apply to the beneficiary of the account or IRA. Generally, the entire amount of the owner's benefit must be distributed to the beneficiary who is an individual either (1) within 5 years of the owner's death, or (2) over the life of the beneficiary starting no later than one year following the owner's death. See Publication 590, *Individual Retirement Arrangements (IRAs)*, for complete details on when beneficiaries must start receiving RMDs.

What types of retirement plans require minimum distributions?

The RMD rules apply to all employer sponsored retirement plans, including profit-sharing plans, 401(k) plans, 403(b) plans, and 457(b) plans. The RMD rules also apply to traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs.

The RMD rules also apply to Roth 401(k) accounts. However, the RMD rules do not apply to Roth IRAs while the owner is alive.

When is the deadline for receiving a RMD from an IRA?

An account owner must take the first RMD for the year in which he or she turns 70 ½. However, the first RMD payment can be delayed until April 1st of the year following the year in which he or she turns 70 ½. For all subsequent years, including the year in which the first RMD was paid by April 1st, the account owner must take the RMD by December 31st of the year.

How is the amount of the RMD calculated?

Generally, a RMD is calculated for each account by dividing the prior December 31st balance of that IRA or retirement plan account by a life expectancy factor that IRS publishes in Tables in Publication 590, *Individual Retirement Arrangements (IRAs)*. There are three separate tables:

- The Joint and Last Survivor Table is used by an account owner whose sole beneficiary of the account is his or her spouse and is more than 10 years younger than the account owner;

- The Uniform Lifetime Table is used by account owners whose spouse is not the sole beneficiary or whose spouse is not more than 10 years younger; and
- The Single Life Expectancy Table is used by a beneficiary of an account.

See the available worksheets to calculate required minimum distributions.

Can an account owner just take a RMD from one account instead of separately from each account?
An IRA owner must calculate the RMD separately for each IRA that he or she owns, but can withdraw the total amount from one or more of the IRAs. Similarly, a 403(b) contract owner must calculate the RMD separately for each 403(b) contract that he or she owns, but can take the total amount from one or more of the 403(b) contracts.
However, RMDs required from other types of retirement plans, such as 401(k) and 457(b) plans have to be taken separately from each of those plan accounts.

Who calculates the amount of the RMD?
Although the IRA custodian or retirement plan administrator may calculate the RMD, the IRA or retirement plan account owner is ultimately responsible for calculating the amount of the RMD.

Can an account owner withdraw more than the RMD?
Yes.

What happens if a person does not take a RMD by the required deadline?
If an account owner fails to withdraw a RMD, fails to withdraw the full amount of the RMD, or fails to withdraw the RMD by the applicable deadline, the amount not withdrawn is taxed at 50%. The account owner should file Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, with his or her federal tax return for the year in which the full amount of the RMD was not taken.

Can the penalty for not taking the full RMD be waived?
Yes, the penalty may be waived if the account owner establishes that the shortfall in distributions was due to reasonable error and that reasonable steps are being taken to remedy the shortfall. In order to qualify for this relief, you must file Form 5329 and attach a letter of explanation. See the instructions to Form 5329

Can a distribution in excess of the RMD for one year be applied to the RMD for a future year?
No.

How are RMDs taxed?
The account owner is taxed at his or her income tax rate on the amount of the withdrawn RMD. However, to the extent the RMD is a return of basis or is a qualified distribution from a Roth IRA , it is tax free.

Can RMD amounts be rolled over into another tax-deferred account?

No.

Please refer to Publication 590 , *Individual Retirement Arrangements (IRAs)*, for additional information.

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