



Relief for Reporting Required Minimum Distributions for IRAs for 2023

Today the Internal Revenue Service (IRS) released Notice 2023-23 which provides relief for reporting required minimum distributions (RMDs) for IRAs for 2023. The notice provides guidance to financial institutions on reporting RMDs for 2023 after the amendment to section 401(a)(9) of the Internal Revenue Code made by the Consolidated Appropriations Act, 2023, P. L. 117-328 (the Act), aka the SECURE 2.0 Act of 2022.

BACKGROUND

Section 107 of the SECURE 2.0 Act amended section 401(a)(9)(C) of the Internal Revenue Code to delay the required beginning date applicable to section 401(a) plans and other eligible retirement plans described in section 402(c)(8), including individual retirement accounts (IRAs) and annuities. For an IRA owner who attains age 72 after December 31, 2022, and age 73 before January 1, 2033, the new required beginning date (that is, the date by which RMDs must begin) is April 1 of the calendar year following the calendar year in which the individual attains age 73, rather than April 1 of the calendar year following the calendar year in which the individual attains age 72.

This amendment to section 401(a)(9)(C) is effective for distributions required to be made after December 31, 2022, with respect to individuals who will attain age 72 after that date. As a result of this amendment, IRA owners who will attain age 72 in 2023 (that is, individuals born in 1951) will have a required beginning date of April 1, 2025, rather than April 1, 2024. This delay in the required beginning date means that these IRA owners (who, prior to enactment of the SECURE 2.0 Act, would have been required to take minimum distributions from their IRAs for 2023) will have no RMD due from their IRAs for 2023.

IRA REPORTING

If an IRA owner has an RMD due for 2023, the financial institution that is the trustee, custodian, or issuer maintaining the IRA must file a 2022 Form 5498 (IRA Contribution Information) by May 31, 2023, and indicate by a check in Box 11 that an RMD is required for 2023. The financial institution may also choose to provide further information in Box 12a (RMD Date) and Box 12b (RMD Amount). Additionally, under Notice 2002-27, 2002-1 CB 814, if an IRA owner has an RMD due for 2023, the financial institution must furnish a statement to the IRA owner by January 31, 2023, that informs the IRA owner of the date by which the RMD must be distributed, and either provides the amount of the RMD or offers to calculate that amount upon request (RMD statement).

For IRA owners who will attain age 72 in 2023, the RMD statement required under Notice 2002-27 should not be sent, and the 2022 Form 5498 should not include a check in Box 11 or any entries in Box 12a or 12b. However, in recognition of the short amount of time that financial institutions have had to change their systems for furnishing the RMD statement since the enactment of the SECURE 2.0 Act, relief is being provided with respect to this reporting. Under this relief, the Internal Revenue Service (IRS) will not consider an RMD statement provided to an IRA owner who will attain age 72 in 2023 to have been provided incorrectly if the IRA owner is notified by the financial institution no later than April 28, 2023, that no RMD is actually required for 2023.

The SECURE 2.0 Act did not change the required beginning date for IRA owners who attained age 72 prior to January 1, 2023. To reduce misunderstanding among IRA owners, the IRS encourages all financial institutions, in communicating these RMD changes, to remind IRA owners who attained age 72 in 2022, and have not yet taken their 2022 RMDs, that they are still required to take those distributions by April 1, 2023.

This material is provided solely for informational purposes and does not constitute investment, tax, legal or accounting advice on the matters addressed

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