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Folks:

**Take-Away:** In a couple of situations there is an automatic waiver when there's a failure to take a required minimum distribution.

**Background:** Inherited IRAs normally require distributions, especially after the SECURE Act. However, there can be exceptions to the need to take a distribution from an inherited IRA. Some examples follow where there is an *automatic waiver* of the excise tax for the failure to take a required minimum distribution (RMD.)

1. Sam inherited his father, Fred's, traditional IRA in 2023. Fred died after his required beginning date (RBD.) Fred died before taking his required minimum distribution (RMD) from his IRA for 2023. For the 2023 RMD, the RBD is April 1 of the year that follows the year Fred reached age 72 (age 70 ½ if Fred died before 2020.) Fred should have taken his 2023 RMD no later than December 31, 2023. Prior to the SECURE Act, Sam would have owed the IRS a 50% excise tax if his father's RMD had not been taken by the end of 2023 (the year of Fred's death.) Now, under the Proposed Regulations issued under the SECURE Act, there is an **automatic waiver** for such RMDs for taxable years that begin on or after 2022. Under these Proposed Regulations, the excise tax for the failure to take the RMD for the year of the IRA owner's death is automatically waived if the RMD is taken no later than Sam's tax filing deadline, plus any extension for Sam's income tax return. Accordingly, since Sam inherited his father's IRA in 2023 and Fred did not take his 2023 RMD prior to his death, the 25% excise tax is automatically waived, so long as Sam takes Fred's 2023 RMD by April 15, 2024 (or even later if Sam extends his filing of his 2023 Form 1040.)

2. Susie is the designated beneficiary of her mother, Dorothy's, traditional IRA. Dorothy died after her RBD in 2020 (or in 2021 or 2022.) Dorothy died before taking her RMD in the year of her death-2019. Susie is not an *eligible designated beneficiary*, i.e., Susie is not a minor, nor is she disabled or chronically ill. Again, the excise tax for Dorothy's failure to take an RMD in the year of her death is **automatically waived. This is also the case for 2021 and 2022.** [IRS Notices 2022-53 and 2023-54.]
  
3. Sid is a *successor beneficiary* of an *eligible designated beneficiary* (EDB) Samatha who died in 2020 (or 2021 or 2022) who inherited a traditional IRA before 2020. Samantha was taking distributions under the life expectancy method. Samantha died after 2019. Thus, Samatha's successor beneficiary, Sid, must fully distribute the inherited IRA no later than the 10<sup>th</sup> year after Samantha's death. In addition, Sid as the successor beneficiary, must continue to take distributions over the life expectancy that applied to Samantha, an *eligible designated beneficiary*. The excise tax is **automatically waived for the successor beneficiary who did not take an RMD for 2023. This also the case for 2021 and 2022 RMDs.** [IRS Notices 2022-53 and 2023-54.]
  
4. Barb inherited a Roth IRA from her brother, Rob, in 2018. Under the Roth IRA agreement, Rob must take annual distributions over his life expectancy, starting no later than 2019. Rob died in 2020. Rob named his son, Bart, as the successor beneficiary. Bart must ensure that the inherited IRA is fully distributed no later than 2030. Bart must continue to take annual RMDs over Rob's life expectancy. Bart failed to take his RMDs for 2023. The excise tax is **automatically waived for 2023. This also applies to 2021 and 2022.** [IRS Notices 2022-53 and 2023-54.]

**Conclusion:** While the excise tax for the failure to take a RBD was reduced from 50% to 25% with the SECURE Act 2.0, it still exists. It is nice to know

than in a couple of situations when the account owner dies having failed to take his/her RMD an automatic waiver still exists, If you would like to read additional missives, [click here](#).