

Required Minimum Distributions from an IRA

Take-Away: A decedent's IRA that is payable to his probate estate can be carefully managed by his Personal Representative to avoid the possible acceleration of the taxable distribution of the decedent's IRA.

Background: There seems to be a lot of confusion about IRAs that are paid to the IRA owner's estate, and how to avoid the 5-year payout of the decedent's IRA. A recent Private Letter Ruling provides some. Helpful guidance on dealing with an IRA that is payable to the decedent's probate estate. Before we get to the recent PLR, some basic rules for distributions from a decedent's IRA are summarized.

IRA Distribution Rules Generally: The Tax Code requires that 'the rules like the rules of IRC 401(a)(9) and the incidental death benefit requirements of IRC 401(a) apply to the distribution of the entire interest of an individual for whose benefit an IRA is maintained.

- **IRA Custodian is "Plan Administrator:"** Treasury Regulation 1.408-8(a)(3) provides that "the IRA trustee, custodian or issuer is treated as the plan administrator, and the IRA owner is substituted for the employee."
- **IRA Owner Life Expectancy:** When the IRA owner dies without a designated beneficiary, i.e., naming his estate, or his estate is the default beneficiary, his remaining life expectancy is determined initially using his age as of his birthday in the calendar year of his death. In subsequent calendar years the remaining life expectancy is determined by reducing that initial life expectancy by one for each calendar year that has elapsed after that first calendar year. [Regulation 1.401(a)(9)-5(d)(3)(ii).]
- **Separate Shares:** When multiple beneficiaries draw from the same source, i.e., the inherited IRA, the IRS will apply IRC 401(a)(9) separately with respect to the separate interests of each of the IRA owner's beneficiaries, provided that those interests are held in separate accounts that satisfy separate accounting requirements. [Regulation 1.401(a)(9)-8(a)(1)(i).]
- **Tax Treatment:** The Tax Code dictates that any amount 'paid or distributed out of an IRA shall be included in gross income of the payee or distributee, as the case may be, in the manner provided under IRC 72. Revenue Ruling 78-406 states that "the

direct transfer of funds from one IRA custodian to another IRA custodian, even if at the behest of the IRA holder, does not constitute a payment or distribution to a participant, payee, or distributee, as those terms are used in IRC 408(d)."

Private Letter Ruling 202624001 (June 12, 2026)

Facts: The decedent (call him Don) owned a traditional IRA. On Don's death, he had three surviving children, Alex, Ben, and Cole. (These are made-up names since PLRs do not provide names of those requesting the PLR.) Don's Will named his three sons as the beneficiaries of his estate, and he directed under his Will that his sons were to receive the division of Don's IRA (and his other assets) in shares of equal value. Don's Will was admitted to probate and Alex was named as the Personal Representative of Don's estate.

Requested Rulings: Alex proposes to divide the total value of Don's traditional IRA into three separate shares, i.e., equal portions. Alex intends to transfer, via a custodian-to-custodian transfer, Don's IRA into newly established inherited IRAs. These three inherited IRAs are to be titled in Don's name but maintained for the benefit of each individual beneficiary, e.g., "Don Smith IRA for the benefit of Cole Smith." Alex's goal is for each of Don's three sons to receive distributions over Don's remaining life expectancy, since Don died after age 73 and he was receiving required minimum distributions at his death. [IRC 401(a)(9).] The specific requested rulings sought from the IRS are:

- Each son's respective interest in Don's IRA can be segregated and held in separate IRAs for purposes of determining each beneficiary's required minimum distribution (RMD) under IRC 401(a)(9).
- The sons' inherited IRAs, titled in Don's name for the benefit of each son, funded by means of the custodian-to-custodian transfer from Don's IRA, constitute inherited IRAs under IRC 408(d)(3).
- Each of Don's sons can receive distributions required under IRC 401(a)(9) from that beneficiary's specific inherited IRA, established in Don's name for the benefit of that son as a beneficiary of Don's estate, over Don's remaining life expectancy.
- The transfer of each son's respective interest in Don's estate's interest in Don's IRA to the beneficiary's respective inherited IRA will not constitute a taxable distribution

under IRC 408(d)(1) to each son and it does not constitute a rollover as that term is used in IRC 408(d)(3).

IRS Ruling: The IRS provided four favorable rulings to Alex, the Personal Representative of Don's Estate.

- As the beneficiaries of Don's interest in his IRA, each of Don's son's respective interest in Don's IRA may be segregated and held in separate IRAs for purposes for determining each son's required minimum distribution (RMD) under IRC 401(a)(9).
- Regarding the account type, the sons' inherited IRAs, being titled in Don's name for the benefit of each son, funded by means of a custodian-to-custodian transfer from Don's IRA constitute inherited IRAs under IRC 408(d)(3).
- Don's three sons may each receive distributions required under IRC 401(a)(9) from each son's specific inherited IRA, established in Don's name for the benefit of that son, as a beneficiary of Don's estate, over Don's remaining life expectancy.
- Finally, the IRS determined that "the transfer of each beneficiary's respective interest in the estate's interest in [Don's] IRA to the beneficiaries' inherited IRAs will not constitute a taxable distribution within the meaning of IRC 408(d)(9) to each beneficiary and does not constitute a rollover as that term is used in IRC 408(d)(3)."

Conclusion: The key theme of this PLR is that the structural elements, i.e., the segregation of assets, the type of account, the distribution method, and the transfer mechanics, were all managed to ensure compliance with several sections of the Tax Code to minimize the tax consequences of Don's IRA that was payable to his probate estate.

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