

IRS Issues Updated Guidance Regarding Substantially Equal Periodic Payments

January 26, 2022

The IRS recently issued Notice 2022-6 (the "**Notice**"), which provides guidance regarding how to determine whether a series of payments from a qualified retirement plan is considered a series of substantially equal periodic payments and is thus exempt from the 10% excise tax under Code Section 72(t). Payments are exempt from that excise tax if they are made in accordance with one of the following methods: (i) the required minimum distribution method, (ii) the fixed amortization method, or (iii) the fixed annuitization method. The Notice provides an updated life expectancy table that can be used to determine distribution periods for the required minimum distribution method and the fixed amortization method. In addition, the Notice modifies the existing minimum interest rate that may be used to apply the fixed amortization method and the fixed annuitization method (which is 120% of the federal mid-term rate) to add a 5% floor. The guidance provided in the Notice applies to any series of payments commencing on or after January 1, 2023, and it may be used for a series of payments commencing in 2022.

The Notice is available [here](#).