

IRS Transition Relief for Required Minimum Distributions Under SECURE 2.0 Act

July 25, 2023

PRACTICES Employee Benefits and Executive Compensation

As we previously reported [here](#), the SECURE 2.0 Act increased the statutory age by which required minimum distributions (“**RMDs**”) must begin from tax-qualified retirement plans and IRAs. Specifically, the RMD age increased from 72 to 73 for participants who attain age 72 after December 31, 2022, and age 73 before January 1, 2033 (the “**RMD Age Increase**”).

Plan administrators raised concerns that SECURE 2.0 RMD revisions could take some time to implement and, as a result, plan participants and IRA owners who would have been required to begin receiving RMDs in 2023, but for the RMD Age Increase, may have such distributions mischaracterized as RMDs and therefore be treated as ineligible for rollover. In response, the IRS issued the following transition relief under IRS Notice 2023-54 (the “**IRS Notice**”):

- **Change in Required Beginning Date.** A plan will not fail to satisfy the Code requirements relating to eligible rollover distributions because it failed to treat distributions between January 1 and July 31, 2023, as eligible rollover distributions for participants who attain age 72 in 2023.
- **Extension of Indirect Rollover Period.** The 60-day indirect rollover period for distributions not treated as eligible rollover distributions between January 1 and July 31, 2023, is extended until September 30, 2023.
- **Specified RMDs for 2023.** A defined contribution plan will not be treated as having failed to satisfy the RMD rules and excise taxes will not be asserted by the IRS solely because it failed to make a “specified RMD” (as defined in the IRS Notice).

The IRS Notice defines a “specified RMD” as a distribution that would have been required to be made under the proposed RMD regulations to (i) a designated beneficiary of a participant if the participant died in 2020, 2021, or 2022, and on or after their required beginning date, and the designated beneficiary is not using the lifetime or life expectancy payments exception, or (ii) a beneficiary of an eligible designated beneficiary if the eligible designated beneficiary died in 2020, 2021, or 2022 and that eligible designated beneficiary was using the lifetime or life expectancy payments exception.

The IRS Notice is available [here](#). For further information on the above provisions and the SECURE 2.0 Act in general, please refer to our previous articles linked below.

- [SECURE 2.0 Act: Focus on Governmental 457\(b\) Plans](#)
- [SECURE 2.0 Act: Focus on 401\(k\) and 403\(b\) Plans – Changes to Plan Corrections Guidance](#)
- [SECURE 2.0 Act: Focus on 401\(k\) and 403\(b\) Plans – Plan Design Changes](#)
- [SECURE 2.0 Act: Focus on 401\(k\) and 403\(b\) Plans Distribution and Withdrawal Changes](#)
- [SECURE 2.0 Act: Focus on Pension Plans](#)

- [SECURE 2.0 Act: Permissive Plan Design Changes](#)
- [SECURE 2.0 Act Increases Age for Required Minimum Distributions](#)
- [SECURE 2.0 Act: Changes to Plan Corrections Guidance](#)
- [SECURE 2.0 is Here! What's Next for Plan Sponsors?](#)
- [Major Retirement Legislation Passed by Congress: SECURE 2.0 Act](#)