MARCH 16, 2018

IRS Issues Reminder on Required Minimum Distributions Due April 1

Sunday, April 1, 2018, is the deadline for tax-qualified retirement plan participants who had reached at least age 70 ½ and retired in 2017 to commence receiving required minimum distributions (RMDs) of their plan benefits. This deadline also applies to IRA owners and 5% owners of employers sponsoring plans who turned 70 ½ in 2017, regardless of whether they have retired.

The IRS published a reminder March 15, 2018, that this April 1 deadline applies to all employer-sponsored retirement plans, including profit-sharing plans, 401(k) plans, 403(b) plans and 457(b) plans. The RMD rules also apply to traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs, however, they do not apply to ROTH IRAs.

Participants who do not commence RMDs by the required deadline could face a 50% excise tax on any undistributed RMD amount. Employers sponsoring qualified plans who fail to make RMDs by the April 1 deadline may seek a waiver of the excise tax on the participant's behalf by filling a submission (and paying the application fee) under the IRS's Voluntary Correction Program.

Other points of note from the reminder:

- The April 1 RMD deadline only applies to the required distribution for the first year. For all subsequent years, including the year in which recipients were paid the first RMD by April 1, the RMD must be made by Dec. 31. A taxpayer who turned 70½ in 2017 and receives the first required distribution (for 2017) on April 1, 2018, for example, must still receive the second RMD by Dec. 31, 2018.
- Affected taxpayers who turned 70½ during 2017 must figure the RMD for the first year using the life expectancy as of their birthday in 2017 and their account balance on Dec. 31, 2016.
- Employees of certain tax-exempt organizations with 403(b) plan accruals before 1987 should check with their employer, plan administrator or provider to see how to treat these accruals.