Section 204.

(last updated 1/19/2023)

Title: Eliminating a penalty on partial annuitization

Effective Date: Effective upon enactment. Taxpayers can rely on their reasonable good faith interpretation of this rule until Treasury regulations are updated.

Mandatory or Optional: N/A

Plans Affected: All

Previous Law: Current regulations provide that if a retirement account holds an annuity contract and other assets, the RMD is calculated by bifurcating the account into the annuity contracts (which follow defined benefit plan rules) and the other assets (which follow defined contribution plan rules). This approach can result in higher RMDs than if the account did not hold annuity contracts.

SECURE 2.0 Law: Directs the Secretary of the Treasury to update the applicable regulations as follows: to calculate the RMD for a retirement account that holds annuity contracts and other assets, the employee may elect to have the RMD calculated by applying the defined contribution rules to the entire account. In performing that calculation, the account balance will include the value of the annuity contracts, and the payments from those annuity contracts will be applied toward satisfying the RMD.

Guidance and/or Correction Bills:

- None