CPA Practice Advisor

IRAs don't require distributions while the original owner is alive. RMDs also apply to...

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Most retirees born before July 1, 1948, must usually take distributions from their individual retirement arrangements (IRAs) and workplace retirement plans by Dec. 31.

The payments, called required minimum distributions (RMDs), are normally made by the end of the year. Those who reached age 70½ during 2018 are covered by a special rule that allows them to wait until April 1, 2019, to take their first RMDs.

by Dec. 31, 2018.

Types of retirement plans requiring RMDs

The required distribution rules apply to owners of traditional, Simplified Employee Pension (SEP) and Savings Incentive Match Plans for Employees (SIMPLE) IRAs. Roth IRAs don't require distributions while the original owner is alive. RMDs also apply to participants in various workplace retirement plans, including 401(k), 403(b) and 457(b) plans.

An IRA trustee must either report the amount of the RMD to the IRA owner or offer to calculate it for the owner. Often, the trustee shows the RMD amount on Form 5498 in Box 12b. For a 2018 RMD, this amount is on the 2017 Form 5498 normally issued to the owner during January 2018.

An IRA owner must calculate the RMD separately for each IRA they own, but can withdraw the total amount from one or more of the IRAs. However, RMDs required from workplace retirement plans (like 401(k), 403(b), and 457(b) plans) have to be taken separately from each of those plan accounts.

IRS online forms and publications can help

The RMD for 2018 is based on the taxpayer's life expectancy on Dec. 31, 2018, and their account balance on Dec. 31, 2017. The trustee reports the year-end account value to the IRA owner on Form 5498 in Box 5. Use the online worksheets on IRS.gov or find worksheets and life expectancy tables to make this computation in the Appendices to Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

For most taxpayers, the RMD is based on Table III (Uniform Lifetime Table) in IRS Publication 590-B. So, for a taxpayer who turned 72 in 2018, the required distribution would be based on a life expectancy of 25.6 years. A separate table, Table

accruals before 1987 should check with their employer, plan administrator or provider to see how to treat these accruals.