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Inherited IRAs Just Got New Rules. What You Need to Know.

By [Elizabeth O'Brien](#) Follow July 18, 2023 3:03 am ET



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IRA distribution rules are complex. The Internal Revenue Service building in Washington, D.C.

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The Internal Revenue Service is allowing people who inherited an individual retirement account after 2019 to skip a required minimum distribution this year, but most still must empty the account within 10 years.

The IRS issued the new guidance Friday.

There has been confusion surrounding the rules for inherited IRAs ever since the Secure Act of 2019 eliminated the so-called "stretch IRA" for most non-spouse beneficiaries. The old rules had allowed beneficiaries

of inherited IRAs to stretch their required minimum distributions over their own lifetimes, permitting decades of tax-free or tax-deferred growth in some cases.

Under the Secure Act of 2019, most non-spouse beneficiaries must now empty their inherited IRA by the end of the 10th year following the original owner's death. When the law was first passed, experts interpreted it to mean that all the money could be withdrawn in year 10 if so desired, said Ed Slott, certified public accountant and founder of IRAHelp.com.

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Yet in early 2022, the IRS proposed stricter rules that would apply to someone who inherited an IRA from a person who had already begun taking RMDs; in that case, the recipient must continue taking distributions on an annual schedule. In other words, if the RMD tap had already been turned on, Slott says, it couldn't be turned off following the original owner's death, and beneficiaries had to keep withdrawing every year and paying income tax on the amount withdrawn. "That was a shocker," Slott says.

Due to the lateness of that proposal and the general confusion about the rules, the IRS on Friday effectively waived that annual requirement for now.

Here's what the most recent guidance from the IRS means for you:

What if I inherited an IRA before 2020?

The new rules don't matter. You are grandfathered into the so-called stretch IRA rules that applied before the law's passage. The relief announced Friday also doesn't apply to you, so if you have an RMD scheduled for this year, you still must take it.

What if I inherited an IRA from my spouse?

None of the changes apply to spouses, who enjoy far more flexibility when inheriting IRAs. You can roll over your spouse's IRA into your own retirement account and or keep it as an inherited account. Either way, you can stretch distributions based on your life expectancy, not the 10 years.

Are there any other beneficiaries that can take RMDs based on their own life expectancy?

Yes. There are a few others. They include: beneficiaries who are no more than 10 years younger than the original IRA owner; those who are chronically ill or disabled, and

minor children—not grandchildren—of the original owner.

What if I inherited an IRA after 2019 from someone who had begun taking RMDs?

You don't have to take an RMD this year, but keep an eye out for final regulations on the matter. The account will still have to be drained within 10 years, so more will have to come out in a shorter window, Slott says.

What if I inherited an IRA from someone who hadn't begun taking RMDs?

The relief granted on Friday doesn't apply to you, because you weren't subject to the tougher RMD rules in the first place. However, you still must empty your inherited IRA by the end of the 10th year following the original owner's death.

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