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# Live Long and Prosper

The IRS proposes updated life expectancy tables for required minimum distributions.

The Internal Revenue Service has proposed changes to the required minimum distribution (RMD) rules, updating the life expectancy tables used in calculating required distributions. The new tables significantly increase the applicable life expectancy assumptions and, consequently, would reduce required distribution amounts.

In this article, we briefly review the IRS's proposal, issued on November 7, 2019.

## Background

Internal Revenue Code section 401(a)(9) generally requires that distributions under a qualified plan must begin as of the required beginning date and continue over a period not exceeding the life (or life expectancy) of the participant or joint life (or joint life expectancy) of the participant and a designated beneficiary.

For these purposes, life expectancy is determined under tables published by the IRS. The tables used under current regulations are based on the Annuity 2000 Basic Table with mortality improvement (developed with respect to that table) through 2003.

On August 31, 2018, President Trump signed an Executive Order on Strengthening Retirement Security in America that, among other things, instructed the secretary of the Treasury to examine the life expectancy and distribution period tables currently used to determine RMDs and determine whether they should be updated.

## Proposed New Tables

The new tables under the IRS's proposal were developed based on mortality rates for 2021. The base rates use the 2012 Individual Annuity Mortality tables, and mortality improvement through 2021 is applied using Mortality Improvement Scale MP-2018.

To make a relevant but somewhat nerdy point: Individual annuity mortality tables generally assume a longer life expectancy than the general population, to take into account the (generally recognized) fact that individuals who buy annuities are a self-selected group who generally expect to live longer than the general population. The current RMD life expectancy tables, as noted, use obsolete individual annuity mortality tables plus individual annuity mortality improvement assumptions. The new proposal takes a different approach, using an individual annuity mortality base scale but a general population mortality improvement scale. Using an individual annuity mortality improvement scale (reflecting current assumptions) generally would produce even longer life expectancies for RMD purposes than does the approach taken by the proposal.

## Practical Impact: Longer Life Expectancies, Longer RMD Distribution Periods

**The IRS provides the following examples to illustrate the effect of the proposal:**

70-year-old IRA owner who uses the Uniform Lifetime Table to calculate required minimum distributions must use a life expectancy of 27.4 years under the existing regulations. Using the Uniform Lifetime Table set forth in the proposed regulations, this IRA owner would use a life expectancy of 29.1 years to calculate required minimum distributions. As another example, under the existing regulations, a 75-year-old surviving spouse who is the employee's sole beneficiary and uses the Single Life Table to compute required minimum distributions must use a life expectancy of 13.4 years. Under the proposed regulations, the spouse would use a life expectancy of 14.8 years.

### Effective Date and Transition Rule

The new tables would generally apply to distributions beginning on or after January 1, 2021. Under a transition rule, where an employee dies before 2021, distributions could be recalculated in certain circumstances.

Comments on the proposal are due in 60 days.

In our view, the IRS's proposal is a welcome improvement in current rules and will allow affected participants to take distributions over a more realistic life expectancy period. We will continue to follow this issue.

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