

What Happens If I Forget to Take My Required Minimum Distribution?

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If you are age 73 or older and miss the deadline for your Required Minimum Distribution (RMD), you may be subject to steep penalties. The deadline for your distribution is April 1st the year after turning 73, and December 31st in each subsequent year. If you forget the deadline or fail to withdraw the entire required amount, you can either pay the penalty or request a waiver to have it removed.

What's The Penalty?

The penalty, otherwise known as the excise tax, for missing the deadline or not withdrawing your entire required amount is 25% of the RMD that was not distributed. For example, if your RMD is \$10,000 and you only withdraw \$6,000 for the year, you would face a 25% penalty on the \$4,000 not taken. This would result in a total excise tax of \$1,000.

You may be able to reduce the penalty to 10% by rectifying the mistake within the two-year correction window after the missed deadline.

How To Pay the Penalty

Paying the penalty involves a few simple steps:

Step One: Withdraw the required amount if you have not done so yet.

Step Two: Complete and file IRS Form 5329 with your income tax return(IRS Form 1040). This must be done by the tax deadline or extension. Make sure to file the version for that year. For example, forgetting an RMD in 2021 would mean you have to file the 2021 Form 5329.

Note that if you file Form 5329 with your income tax return, you may be able to file electronically through a tax preparation software (e.g., TurboTax) and pay the penalty online. If you need to file Form 5329 by itself, then you must mail the form and payment in. If you have an accountant, this should be a simple process for them.

Step Three: Write a check or money order payable to the United States Treasury. You should include your Social Security number, the current tax year, and “Form 5329” on the payment method to ensure the payment is associated with your tax liability. Once completed, you can mail it to the IRS.

Can The Penalty Be Waived?

You may be able to receive a waiver for the penalty from the IRS under certain circumstances. These reasons include serious illness, mental incapacity, or an error made by a financial institution.

Before notifying the IRS, your first step should be to correct the mistake by withdrawing the required distribution. Avoid paying the penalty until you receive a decision from the IRS on whether the waiver will be granted. To request a waiver, file Form 5329 and include a detailed letter explaining the situation. Make sure to mention that you have taken since withdrawn the missed distribution.

The Bottom Line

Navigating the complex world of retirement accounts can be challenging. By understanding the rules and regulations surrounding RMDs, you can make informed decisions and avoid unnecessary penalties.