



CONDON &
COMPANY P.C.

Meet Your Ally.

RETIREMENT PLAN RELIEF FOR VICTIMS OF HURRICANE HARVEY

On August 30th, the Internal Revenue Service issued Announcement 2017-11, which states 401(k)s and similar employer-sponsored retirement plans can make loans or hardship distributions to victims of Hurricane Harvey, including members of their families.

If you are a participant in 401(k) plans, 403(b) tax-sheltered plans, or 457(b) deferred-compensation plans and have been affected by Hurricane Harvey, you may be eligible to take advantage of these simplified loan procedures and relaxed hardship distribution rules. While you are excluded from taking a loan out from your IRA, you may also be eligible to receive IRA distributions under the relaxed procedures.

If you or a family member live or work in an area designated as eligible to qualify for assistance from the Federal Emergency Management Agency (FEMA), you should qualify for taking hardship distributions or loans from your retirement plan. To qualify for this relief, any hardship withdrawals must be made by Jan. 31, 2018. For a complete list of eligible counties, visit <https://www.fema.gov/disasters>.

This relief means a retirement plan can allow a victim of Hurricane Harvey to take a hardship distribution or borrow up to its specified limits. Additionally, even if you do not reside or work in the disaster area you can still take out a retirement plan loan or hardship distribution; using it to aid a son, daughter, parent, grandparent or other dependent living or working in the disaster area. The IRS is reducing the amount of red tape normally involved to help you get faster access to your money in this time of need.

If your plan does not allow for these types of distributions or loans, but its sponsor agrees to make an amendment, the plan will be cleared to make loans or hardship distributions before it is formally amended. If a plan requires certain documentation before a distribution is made, it can relax this requirement as described in [Announcement 2017-11](#).

Please note the tax treatment of loans and distributions does not change. In most cases, retirement plan loan proceeds are tax-free if they are repaid over the duration of five years. Hardship distributions are generally taxable and subject to a 10 percent early-withdrawal tax.

As is most everything IRS-related, the rules and procedures can be complex. Please contact us or your plan administrator with any questions regarding hardship distributions or retirement plan loans.