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IRS allows retirement plan loans, hardship distributions relating to Hurricane Irma

The IRS today announced that section 401(k) plans and similar employer-sponsored retirement plans can make loans and hardship distributions to victims of Hurricane Irma and members of their families.

The IRS release—[IR-2017-151](#) (September 12, 2017)—notes that this relief is similar to that provided last month to taxpayers affected by Hurricane Harvey.

- Participants in 401(k) plans, employees of public schools, and tax-exempt organizations with 403(b) tax-sheltered annuities, as well as state and local government employees with 457(b) deferred-compensation plans may be eligible to take advantage of streamlined loan procedures and liberalized hardship distribution rules. While IRA participants are not allowed to take out loans, they may be eligible to receive distributions under liberalized procedures.
- Retirement plans can provide this relief to employees and certain members of their families who live or work in disaster areas affected by Hurricane Irma and designated for individual assistance by the Federal Emergency Management Agency (FEMA). To qualify for this relief, hardship withdrawals must be made by January 31, 2018.
- The IRS is also relaxing procedural and administrative rules that normally apply to retirement plan loans and hardship distributions. As a result, eligible retirement plan participants will be able to access their money more quickly with “a minimum of red tape.” In addition, the six-month ban on section 401(k) and 403(b) contributions that normally affects employees who take hardship distributions will not apply.
- The IRS explained that a retirement plan can allow a victim of Hurricane Irma to take a hardship distribution or borrow up to the specified statutory limits from a retirement plan. It also means that a person who lives outside the disaster area can take out a retirement plan loan or hardship distribution and use it to assist a

son, daughter, parent, grandparent or other dependent who lived or worked in the disaster area.

The IRS release explains that the tax treatment of loans and distributions remains unchanged. Ordinarily, retirement plan loan proceeds are tax-free if they are repaid over a period of five years or less. Under current law, hardship distributions are generally taxable and subject to a 10% assessment for early withdrawal.

Announcement 2017-13

The IRS also today released an advance version of [Announcement 2017-13](#) [PDF 25 KB] to provide relief from certain verification procedures that may be required under retirement plans with respect to loans and hardship distributions. Plans will be allowed to make loans or hardship distributions before the plan is formally amended to provide for such features. In addition, the plan can ignore the reasons that normally apply to hardship distributions, thus allowing them, for example, to be used for food and shelter. If a plan requires certain documentation before a distribution is made, the plan can relax this requirement pursuant to Announcement 2017-13.

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