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IRS announces retirement plan loans, hardship distributions to hurricane victims

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 Harvey and members of their families.

The IRS release—**IR-2017-138**—provides that 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 these streamlined loan procedures and liberalized hardship distribution rules. Though IRA participants are barred from taking 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 area localities affected by Hurricane Harvey and designated for individual assistance by the Federal Emergency Management Agency. 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 401(k) and 403(b) contributions that normally affects employees who take hardship distributions will not apply.

Also today, the IRS released an advance version of **Announcement 2017-11** [PDF 103 KB] to provide relief from certain verification procedures that may be required under retirement plans with respect to loans and hardship distributions. As noted in the IRS guidance, this relief is in addition to the relief already announced by IR-2017-135. Together, the relief is intended to permit easier access to the hurricane victims' funds held in workplace retirement plans and in IRAs, for the period beginning August 23, 2017, and ending January 31, 2018.

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