

Exceptions to the 10 percent Additional Tax for Emergency Personal Expenses and for Victims of Domestic Abuse

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PRACTICES Employee Benefits and Executive Compensation

As we previously reported [here](#), the SECURE 2.0 Act provided distribution relief for certain unforeseeable events that allow 401(k) and 403(b) plan participants to access their retirement savings without the imposition of the 10 percent early withdrawal penalty.

On June 20, 2024, the IRS issued Notice 2024-55, which provides guidance on exceptions to the 10 percent additional tax when taking early permissible retirement plan distributions for emergency personal expenses and for victims of domestic abuse. Such emergency personal expense distributions are not subject to the 10 percent additional tax but are still includible in gross income and must be distributed from an applicable eligible retirement plan to an individual for purposes of meeting unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses.

The emergency personal expense distributions are subject to the following three limitations:

- Not more than one distribution per calendar year may be treated as an emergency personal expense distribution by any individual;
- Up to a maximum of \$1,000 may be treated as an emergency personal expense distribution in any calendar year; and
- No subsequent distributions may be treated as an emergency personal expense distribution during the immediately following three calendar years, unless (a) the previous emergency personal expense distribution is fully repaid to the plan, or (b) the aggregate of the individual's elective deferrals and employee contributions to the plan after the previous emergency personal expense distribution is at least equal to the amount of the previous emergency personal expense distribution that has not been repaid.

IRS Notice 2024-55 is available [here](#).