

Hurricane Sally Hardship Withdrawal Relief

September 29, 2020

Last year, the safe harbor rules for hardship withdrawals were amended to include a new subsection which permits hardship withdrawals for expenses and losses incurred by an employee on account of a disaster declared by the Federal Emergency Management Agency (FEMA). Recently, FEMA issued a disaster declaration as a result of Hurricane Sally that impacted portions of Alabama and Florida on September 14, 2020. A list of areas covered by the disaster declaration can be found on FEMA's [website](#). This disaster declaration means that affected participants may be eligible for hardship distributions under their 401(k) plans. Plan sponsors should review their 401(k) plan's hardship distribution provisions to ensure they contain either the updated safe harbor provisions specifically allowing hardship distributions for federally declared disasters or catch-all language allowing distributions on any permissible hardship under the Internal Revenue Code.