IRS Issues Guidance Regarding Hardship Withdrawals and Participant Loan Documentation

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A recent issue of the IRS Employee Plans News publication reminded retirement plan sponsors that they are ultimately responsible for maintaining required documentation of hardship withdrawals and participant loans, even if they rely on a third-party administrator to approve and process such transactions. ?Ã¡The article listed certain records that must be obtained to document hardship withdrawals and participant loans, and noted that an employee's electronic self-certification is insufficient documentation to substantiate a hardship withdrawal. ?Ã¡The IRS's statement regarding self-certification with respect to hardship withdrawals has generated controversy, and plan sponsors and their legal counsel should remain on alert for future guidance on this topic. ?Ã¡In the meantime, plan sponsors are reminded that additional documentation should always be requested, particularly if the plan sponsor has notice that the self-certification or other documentation provided by a participant requesting a hardship withdrawal or loan may be false or internally inconsistent. ?Ã¡Any improper distribution from the plan could result in a costly corrective action to retain the plan's tax qualified status. A copy of the article on hardship withdrawal and participant loan documentation is available **here**. A copy of the entire issue of Employee Plans News is available?Ã¡**here**.

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