

IRS Releases Memo Addressing Hardship Withdrawal Substantiation

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The IRS recently released a memorandum (the “**Memo**”) directed to its Employee Plan Examinations agents regarding the documentation that should be obtained from plan administrators in order to determine whether distributions from 401(k) plans were made on account of an immediate and heavy financial need. The Memo indicates that a 401(k) plan distribution should be deemed to be a hardship withdrawal if, prior to making the distribution, the employer or recordkeeper either (a) obtained source documents from the employee substantiating the hardship or (b) obtained a summary of the information contained in such source documents, provided that if a summary is used, a notice containing certain information prescribed in the Memo must be provided to the employee. Plan administrators should consult with their recordkeepers to confirm that their processes for requesting and retaining hardship withdrawal documentation complies with the guidelines in the Memo. [View a copy of the Memo.](#)