

New Federal Budget Impacts Qualified Retirement Plans

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The recently enacted Bipartisan Budget Act of 2018 (the “**Act**”) modifies certain Internal Revenue Code provisions relating to hardship distributions from qualified retirement plans that (i) eliminate the requirement that a participant’s deferrals be suspended for six months following a hardship distribution, (ii) eliminate the requirement that participants take out all available plan loans before receiving a hardship distribution, and (iii) expand the sources available to fund hardship distributions to include QNECs and QMACs. These changes to the hardship distribution rules are effective for plan years beginning on or after January 1, 2019. In addition to the changes for hardship distributions, the Act provides additional relief for victims of the recent California wildfires that permits eligible plan participants to receive a distribution of up to \$100,000, which will not be subject to the mandatory 20 percent income tax withholding or the 10 percent early withdrawal penalty. The participant may elect to have the distribution included in his or her taxable income ratably over three years and may repay the distribution as a rollover contribution to another qualified retirement plan. [View the text of the Act.](#)