

Plan Loans: Plan Document and Forms May Require Updates Due to Tax Reform

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Under the terms of many defined contribution plans, if a participant incurs a termination of employment, any outstanding loan will become immediately due and payable. If the participant is unable to repay the loan, the participant's account balance will be offset by the amount of the outstanding loan, and this offset will be treated as a taxable distribution from the plan unless the participant contributes the amount of the loan offset to an eligible retirement plan (such as an IRA). As we previously reported on our [blog](#), the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, extended the period of time a participant has to make such a contribution from 60 days after the date of the offset to the due date (including extensions) for filing the participant's federal income tax return for the year in which the plan loan offset occurred. Plan sponsors should confirm that plan materials, including the plan document, the plan's loan policy, and the required notice of rollover eligibility, have been updated to reflect this change in law. The IRS has not yet amended the model rollover notice set forth in Notice 2014-74, which still references the 60-day period that was applicable under prior law.