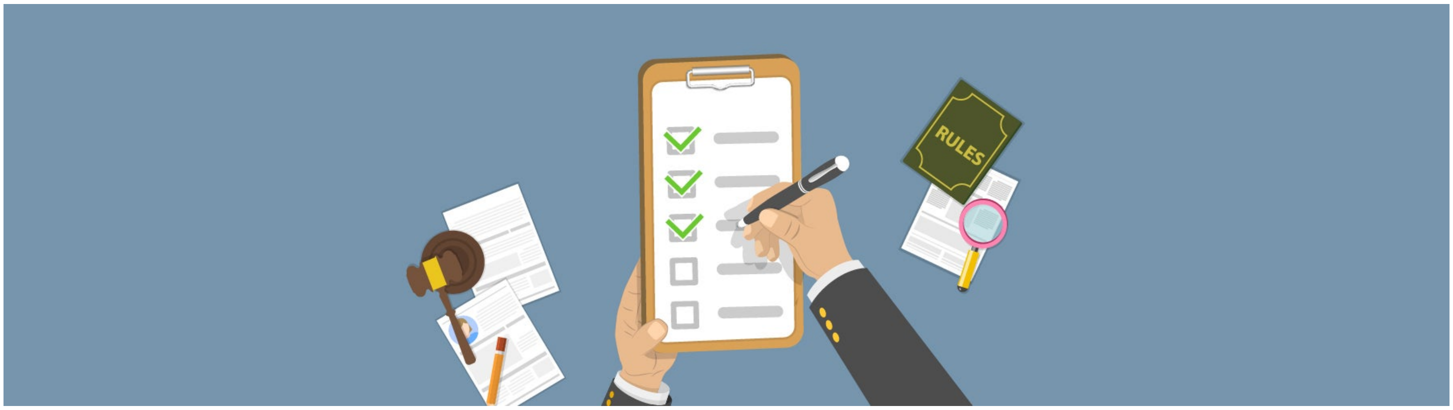

IRS Issues Fact Sheet on Disaster Relief Distributions and Loans

This document, Fact Sheet 2024-19, includes 18 questions and answers on topics such as taxation and reporting, repayment, and how SECURE 2.0 specifically updates the disaster rules that have been in place since 2017. Key clarifications in the document include the following:

- Distributions and loans are available only to individual participants or IRA account owners who have experienced an economic loss due to a qualified disaster and whose principal residence is in the disaster area. Dependent and beneficiary residences do not count.
- Qualified disasters will be listed in the FEMA website on declared disasters.
- The economic loss does not need to be related solely to damage to the individual's residence. Losses related to displacement and job loss would count as well.
- The $22,000 distribution limit is per person, per disaster. It is not per plan or per IRA, nor is it an annual limit.
- A plan sponsor can choose to permit disaster distributions, expanded disaster loans, or delayed loan repayments. Plan sponsors can also choose to permit some or all these options.
- Unlike some other SECURE 2.0 distribution provisions, qualified disaster distributions are a new type of permissible distribution event. Therefore, if the plan is amended to allow such distributions, a participant could take a qualified disaster distribution without having to qualify for another distributable event under the plan (e.g., a hardship).
- As with CARES Act COVID-related distributions, income taxes can be spread out over three years, and the 10 percent early distribution is waived.
- The distribution is not taxable at all if it is repaid to an eligible retirement plan within three years. The repayment to a retirement plan is classified as a *rollover contribution*. Therefore, plans that do not allow for rollover contributions cannot allow for distribution repayments unless their plans are amended.
- Generally, all retirement plan types are eligible except for private, tax-exempt 457(b) plans.
- As with CARES Act COVID-related loans, qualified disaster loans may be increased to 100 percent of a participant's account balance up to $100,000.
- Existing loan repayments may be delayed for up to one year for participants in qualified disaster

areas.

For more information on federal disaster distributions and loans under SECURE 2.0, please review our Federal Disaster Distributions and Loans infographic and reach out to your CAPTRUST advisor.

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