Section 334.

(last updated 1/19/2023)

Title: Long-term care contracts purchased with retirement plan distributions

Effective Date: Effective beginning with distributions three years after the date of enactment.

Mandatory or Optional: Optional

Plans Affected: All

Previous Law: Plans may only make distributions for approved reasons. Existing law provides favorable tax treatment for various forms of health and disability insurance. Existing law also imposes a 10% tax penalty on early distributions from taxpreferred retirement accounts unless certain exceptions apply.

SECURE 2.0 Law: Permits retirement plans to distribute a certain amount per year for certain long-term care insurance contracts. The amount permitted to be distributed is the lowest of: (1) the amount paid by or assessed to the employee during the year for long-term care insurance; (2) 10% of the employee's vested accrued benefit in the plan; or (3) $2,500 (this dollar amount will be indexed for inflation beginning in 2025). Distributions from plans and IRAs would be exempt from the 10% penalty on early distributions if used to pay premiums for high quality, long-term care insurance.

Guidance and/or Correction Bills:

- None