

Section 602.

(last updated 1/19/2023)

Title: Hardship withdrawal rules for 403(b) plans

Effective Date: Effective for plan years beginning after December 31, 2023.

Mandatory or Optional: N/A

Plans Affected: 403(b)

Previous Law: Prior to the Bipartisan Budget Act of 2018 (“BBA”), the hardship rules for 401(k) plans and 403(b) plans were generally the same. The BBA created some differences, primarily allowing 401(k) plans to make hardship distributions from more contribution sources, such as qualified nonelective contributions (“QNECs”), and earnings on elective deferrals.

SECURE 2.0 Law: Conforms the hardship distribution rules for Section 403(b) plans to those of Section 401(k) plans. Therefore, a 403(b) plan may distribute QNECs, qualified matching contributions, and earnings on any of these contributions (including elective deferrals). Also confirms that distributions from a 403(b) plan are not treated as failing to be made upon hardship solely because the employee does not take available loans.

Guidance and/or Correction Bills:

- None