Section 334.

(last updated 7/9/2026)

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 plans to allow participants to take qualified long-term care distributions to pay premiums for certified long-term care insurance for the participant or the participant's spouse. The annual amount available is limited to the lesser 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) $2,600 (indexed annually for inflation beginning in 2026). 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:

- IRS Notice 2026-33: Guidance on Qualified Long-Term Care Distributions (05/20/2026)