**Retirement Topics - Exceptions to Tax on Early Distributions**

Most retirement plan distributions are subject to income tax and may be subject to an additional 10% tax.

Generally, the amounts an individual withdraws from an IRA or retirement plan before reaching age 59½ are called ”early” or ”premature” distributions. Individuals must pay an additional 10% early withdrawal tax unless an exception applies.

|  |  |
| --- | --- |
| **The distribution will NOT be subject to the 10% additional early distribution tax in the following circumstances:** | **Exception to 10% Additional Tax** |
| **Qualified Plans(401(k), etc.)** | **IRA, SEP, SIMPLE IRA\* and SARSEP Plans** | **Internal Revenue Code Section(s)** |
| **Age** |
| after participant/IRA owner reaches age 59½ | yes | yes | 72(t)(2)(A)(i) |
| **Automatic Enrollment** |
| permissive withdrawals from a plan with auto enrollment features | yes | yes for SIMPLE IRAs and SARSEPs | 414(w)(1)(B) |
| **Corrective Distributions** |
| corrective distributions (and associated earnings) of excess contributions, excess aggregate contributions and excess deferrals, made timely | yes | n/a | 401(k)(8)(D),401(m)(7)(A), 402(g)(2)(C) |
| **Death** |
| after death of the participant/IRA owner | yes | yes | 72(t)(2)(A)(ii) |
| **Disability** |
| total and permanent disability of the participant/IRA owner | yes | yes | 72(t)(2)(A)(iii) |
| **Domestic Relations** |
| to an alternate payee under a Qualified Domestic Relations Order   | yes | n/a | 72(t)(2)(C) |
| **Education** |
| qualified higher education expenses | no | yes | 72(t)(2)(E) |
| **Equal Payments** |
| series of substantially equal payments | yes | yes | 72(t)(2)(A)(iv) |
| **ESOP** |
| dividend pass through from an ESOP | yes | n/a | 72(t)(2)(A)(vi) |
| **Homebuyers** |
| qualified first-time homebuyers, up to $10,000 | no | yes | 72(t)(2)(F) |
| **Levy** |
| because of an IRS levy of the plan | yes | yes | 72(t)(2)(A)(vii) |
| **Medical** |
| amount of unreimbursed medical expenses (>7.5% AGI; after 2012, 10% if under age 65) | yes | yes | 72(t)(2)(B) |
| health insurance premiums paid while unemployed | no | yes | 72(t)(2)(D) |
| **Military** |
| certain distributions to qualified military reservists called to active duty | yes | yes | 72(t)(2)(G) |
| **Returned IRA Contributions** |
| if withdrawn by extended due date of return | n/a | yes | 408(d)(4) |
| earnings on these returned contributions | n/a | no | 408(d)(4) |
| **Rollovers** |
| in-plan Roth rollovers or eligible distributions contributed to another retirement plan or IRA within 60 days (also see [FAQs: Waivers of the 60-Day Rollover Requirement](https://www.irs.gov/retirement-plans/retirement-plans-faqs-relating-to-waivers-of-the-60-day-rollover-requirement)) | yes | yes | 402(c), 402A(d)(3), 403(a)(4), 403(b)(8), 408(d)(3), 408A(d)(3) |
| **Separation from Service** |
| the employee separates from service during or after the year the employee reaches age 55 (age 50 for public safety employees of a state, or political subdivision of a state, in a governmental defined benefit plan)\*\* | yes | no | 72(t)(2)(A)(v),72(t)(10) |

**Nonqualified 457(b) plans**: Governmental 457(b) distributions are not subject to the 10% additional tax except for distributions attributable to rollovers from another type of plan or IRA.

\*SIMPLE IRA distributions incur a 25% additional tax instead of 10% if made within the first 2 years of participation

**\*\*Qualified public safety employees**

Effective for distributions after December 31, 2015, the exception for pubic safety employees who are age 50 or over is expanded to include specified federal law enforcement officers, customs and border protection officers, federal firefighters and air traffic controllers. Also, the restriction that only defined benefit plans qualify for the exemption is eliminated. Thus, an exemption is allowed for distributions from defined contribution plans or other types of governmental plans, such as the TSP. See [IRC Section 72(t)(10)](http://uscode.house.gov/view.xhtml?req=(title:26%20section:72%20edition:prelim)%20OR%20(granuleid:USC-prelim-title26-section72)&f=treesort&edition=prelim&num=0&jumpTo=true#substructure-location_t_10), as amended by the Defending Public Safety Employees’ Retirement Act,[P.L. 114-26](https://www.congress.gov/bill/114th-congress/house-bill/2146/text?overview=closed).