

Exceptions to 10% Tax on Early Retirement 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 and report the amount to the IRS for any early distributions, 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if withdrawn by extended due date of return	n/a	Yes	408(d)(4)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	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 in a governmental defined benefit plan)	yes	No	72(t)(2)(A)(v), 72(t)(10)

NOTE: 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.

*25% instead of 10% if made within the first 2 years of participation