

SECURE 2.0 Emergency Personal Expense Distribution

Taxpayer Screening Checklist | Tax Training Academy | 2026

How to use this checklist: Work through each question with your client before treating a retirement distribution as an emergency personal expense distribution under SECURE 2.0. The exception is not automatic. Facts and circumstances matter.

QUESTION 01 What retirement account did the distribution come from?

ASK:

- Was the distribution taken from a 401(k), 403(b), governmental 457(b), or IRA?
- Was it taken from a defined benefit pension?

WHY THIS MATTERS:

This exception applies only to an applicable eligible retirement plan, generally a 401(k), 403(b), governmental 457(b), or IRA. Defined benefit plans do not qualify.

QUESTION 02 What was the emergency, and when did it happen?

ASK:

- What was the specific emergency expense?
- When did the emergency arise?
- Why was the need immediate or unforeseeable?

WHY THIS MATTERS:

The IRS requires the distribution to be for unforeseeable or immediate financial needs tied to necessary personal or family emergency expenses. Ongoing or accumulated expenses generally do not qualify.

QUESTION 03 Was the expense for you or a family member?

ASK:

- Was the emergency expense for you or for a family member?
- Who was the family member and what was their relationship to you?

WHY THIS MATTERS:

Notice 2024-55 expressly allows distributions for necessary personal or family emergency expenses.

QUESTION 04 Which category best describes the emergency?**ASK:**

- Was the expense related to any of the following?
 - Medical care, including medicine or treatment
 - Accident or casualty loss of property
 - Imminent foreclosure or eviction from primary residence
 - Burial or funeral expenses
 - Auto repairs
 - Another necessary emergency personal expense

WHY THIS MATTERS:

These are the IRS's listed examples of facts and circumstances that support qualification. The list is illustrative, not exhaustive.

QUESTION 05 How much was distributed?**ASK:**

- What was the gross amount of the retirement distribution?
- How much are you trying to treat as the emergency personal expense distribution?

WHY THIS MATTERS:

The qualifying amount is limited to the lesser of \$1,000 or the vested account balance in excess of \$1,000 at the time of distribution. The \$1,000 cap is not indexed for inflation.

QUESTION 06 What was your vested account balance on the date of distribution?**ASK:**

- What was your vested balance in the plan on the date of the distribution?
- If it was an IRA, what was the IRA balance on that date?

WHY THIS MATTERS:

Even if the taxpayer had a qualifying emergency, the amount is capped by the plan balance formula. Example: if the vested account balance was \$1,500, only \$500 could qualify (\$1,500 minus \$1,000).

QUESTION 07 Did you already take another emergency personal expense distribution this calendar year?**ASK:**

- Have you already treated any other retirement distribution this same calendar year as an emergency personal expense distribution?

WHY THIS MATTERS:

Only one emergency personal expense distribution per calendar year may be treated as qualifying. This is one of three limitations on this exception.

QUESTION 08

Have you taken one of these in the prior 3 calendar years from this same plan?

ASK:

- Did you take an emergency personal expense distribution from this same plan in any of the 3 immediately preceding calendar years?
- If yes, did you fully repay it?
- If not repaid, have later employee contributions or deferrals to that plan equaled or exceeded the unpaid prior emergency distribution?

WHY THIS MATTERS:

A later distribution generally cannot qualify during the next 3 calendar years for that plan unless the prior amount was fully repaid or later contributions made up the unpaid amount. This is one of three limitations on this exception.

QUESTION 09

Did the plan actually allow this type of distribution?

ASK:

- Did the employer plan permit an emergency personal expense distribution?
- Did the taxpayer certify to the plan that the distribution qualified?

WHY THIS MATTERS:

Employer plans are not required to offer this feature. Even if the plan did not permit it, the taxpayer may still claim the exception on Form 5329 if all requirements are otherwise met.

QUESTION 10

When was the distribution made?

ASK:

- What was the exact distribution date?

WHY THIS MATTERS:

This exception applies only to distributions made after December 31, 2023. Distributions before January 1, 2024 are not eligible.

QUESTION 11

Has any portion been repaid?

ASK:

- Did you repay any of the distribution to an eligible retirement plan or IRA?
- If yes, when and how much was repaid?

WHY THIS MATTERS:

The taxpayer may repay all or part of the emergency personal expense distribution within the 3-year period beginning the day after the distribution date. Repayment affects eligibility for future emergency distributions from the same plan.



THE THREE LIMITATIONS

- Dollar limit: Lesser of \$1,000 or vested balance in excess of \$1,000
- One-per-year limit: Only one qualifying distribution per calendar year
- Three-year limit: No subsequent qualifying distribution from the same plan for 3 calendar years unless the prior amount was repaid or contributions made up the difference

This checklist is for educational purposes only and does not constitute legal or tax advice. Always verify against current IRS guidance. See IRS Notice 2024-55 and IRC §72(t) for complete rules.