



**Topics for Retirement Plans**

- [IRAs](#)
- [Types of Retirement Plans](#)
- [Required Minimum Distributions](#)
- [Retirement Plans FAQs](#)
- [Published Guidance](#)
- [Forms & Publications](#)
- [Correcting Plan Errors](#)
- [Newsletters](#)
- [Retirement Plans A-Z](#)
- [Tax Exempt and Government Entities](#)
- [Retirement Plans Home](#)

## 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)
<b>Age</b>			
after participant/IRA owner reaches age 59½	yes	yes	72(t)(2)(A)(i)
<b>Automatic Enrollment</b>			
permissive withdrawals from a plan with auto enrollment features	yes	yes for SIMPLE IRAs and SARSEPs	414(w)(1)(B)
<b>Corrective Distributions</b>			
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)
<b>Death</b>			
after death of the participant/IRA owner	yes	yes	72(t)(2)(A)(ii)
<b>Disability</b>			
total and permanent disability of the participant/IRA owner	yes	yes	72(t)(2)(A)(iii)
<b>Domestic Relations</b>			
to an alternate payee under a Qualified Domestic Relations Order	yes	n/a	72(t)(2)(C)
<b>Education</b>			

qualified higher education expenses	no	yes	72(t)(2)(E)
<b>Equal Payments</b>			
series of substantially equal payments	yes	yes	72(t)(2)(A)(iv)
<b>ESOP</b>			
dividend pass through from an ESOP	yes	n/a	72(t)(2)(A)(vi)
<b>Homebuyers</b>			
qualified first-time homebuyers, up to \$10,000	no	yes	72(t)(2)(F)
<b>Levy</b>			
because of an IRS levy of the plan	yes	yes	72(t)(2)(A)(vii)
<b>Medical</b>			
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)
<b>Military</b>			
certain distributions to qualified military reservists called to active duty	yes	yes	72(t)(2)(G)
<b>Returned IRA Contributions</b>			
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)
<b>Rollovers</b>			
in-plan Roth rollovers or eligible distributions contributed to another retirement plan or IRA within 60 days (also see <a href="#">FAQs: Waivers of the 60-Day Rollover Requirement</a> )	yes	yes	402(c), 402A(d)(3), 403(a)(4), 403(b)(8), 408(d)(3), 408A(d)(3)
<b>Separation from Service</b>			

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)
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**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 public 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\(t\)\(10\)](#), as amended by the Defending Public Safety Employees' Retirement Act, [P.L. 114-26](#).