

HR Focus

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I Was Wondering . . .

Q: What documentation do I need to verify that an employee has experienced an event that qualifies as a safe harbor hardship under our 401(k) plan?

A: A hardship distribution may only be made if the employee has supporting documentation that reasonably demonstrates the occurrence of the hardship event. The IRS does not have specific rules for what documentation must be provided, but for the safe harbor hardship events there is commonly used appropriate supporting documentation that you should be comfortable relying on. Having the employee check a box certifying that a hardship event has occurred is not sufficient: you must have supporting documentation.

- **Medical expenses** - a health care provider bill, along with a denial of payment from the insurance company, or a signed letter from the health care provider verifying the need and cost of treatment for expenses not yet incurred.
- **Purchase of principal residence** - a signed purchase agreement.
- **Twelve months' future tuition and related costs** - a bill from the educational institution or a letter enrolling the student and estimated costs or tuition, room, board and related expenses.

- **Payments to prevent eviction or foreclosure on principal residence** - a formal legal document giving notice that if the overdue rent or mortgage payment is not received by a certain date that formal eviction or foreclosure proceedings will begin.
- **Burial or funeral expenses** - a death certificate and funeral home bill.
- **Repair of casualty losses to a principal residence** - evidence of a casualty loss, a repair bill and proof the expenses were not covered by insurance.