

# Qualified birth or adoption distribution operational checklist

**Plan name** The Alternate Plan for Galveston County Employees

**Plan/contract number** WI971617

In December of 2019, the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was passed. Section 113 amends the tax laws to allow employees to take a penalty-free withdrawal for qualified birth or adoption expenses.

Qualified Birth or Adoption Distribution (QBAD) provisions:

- A QBAD from an eligible plan or IRA is permitted if it is made during a 1-year period beginning on the date on which:
  - A child of the individual is born.
  - The legal adoption by the individual of an eligible adoptee is finalized.
  - An eligible adoptee is any individual (other than a spouse's child) who has not attained age 18 or is physically or mentally incapable of self-support.
- The aggregate amount which can be treated as "qualified" with respect to any birth or adoption cannot exceed \$5,000. This limit applies to all plans maintained by the employer or any member of a controlled group of employers. Employers with multiple plans must ensure that the individual does not exceed the \$5,000 limit by withdrawing from more than one plan. This is an individual limit; therefore, each parent may request a \$5,000 distribution from his/her qualified employer plan or IRA for each birth or adoption.
- The distribution may be taken from an IRA or a qualified employer plan, including a 401(k), 403(b) or governmental 457(b) plan but not a defined benefit plan.

- The distribution amount may be repaid to an eligible retirement plan or IRA to which the individual is eligible to contribute a rollover contribution. The repayment can be one payment or multiple payments, not to exceed the amount of the QBAD. The individual is treated as having received the distribution as an eligible rollover distribution and if it is repaid, the repayment is treated as a direct rollover made within 60 days of distribution. No time limit is prescribed for repaying a QBAD.
- The automatic 20% withholding does not apply; however, the 10% optional tax withholding does. The amount of the QBAD will be reduced by 10% federal tax withholding unless the individual opts out or elects a different percentage. A QBAD is not tax-free and will be taxed when the individual files their annual tax return. Also, the individual will not receive a Special Tax Notice.
  - The individual must report information about the child (e.g., name, age, social security number) on the tax return filed for the year of the distribution.

We elect to amend our plan by adding provisions to permit QBADs. Indicate which contribution sources QBADs may be withdrawn from (may choose multiple sources, but you may only select sources currently available in the plan):

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Elective Pre-tax Deferrals       | <input type="checkbox"/> Other Vested Employer                      |
| <input type="checkbox"/> Money Purchase                              | <input type="checkbox"/> Safe Harbor Non-Elective                   |
| <input type="checkbox"/> Vested Employer Matching                    | <input type="checkbox"/> Safe Harbor Matching                       |
| <input type="checkbox"/> Rollover                                    | <input type="checkbox"/> Qualified Non-Elective Contribution (QNEC) |
| <input type="checkbox"/> Qualified Match Contribution (QMAC)         | <input type="checkbox"/> Employee Mandatory                         |
| <input checked="" type="checkbox"/> Roth Elective Deferrals          | <input type="checkbox"/> Roth Rollover                              |
| <input checked="" type="checkbox"/> Other: <u>Voluntary Employee</u> |   |

**Please return this form via email to your OneAmerica Financial<sup>SM</sup> Representative.**

Print Signor Name Mark Henry, County Judge

Employer Signature 

Date January 6, 2025

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