

## **Active Reservists & Public Safety: Exceptions to the 10% Penalty**

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***Under the Pension Protection Act of 2006, active reservists and public safety employees are now exempt from the 10% penalty for early withdrawals from an IRA (distributions before 59 \_). Here's how it works.***

### **For Active Reservists**

- If you're called to active duty for more than 179 days from September 11, 2001 to December 31, 2007 and the distribution is taken before the date of call up and the end of active duty, those distributions are penalty free.
- This exclusion is retroactive. So if you took distributions after September 11, 2001 and paid the penalty, you're entitled to a refund through form 1040-X.
- You can repay these distributions to your IRA if you so choose. Your annual IRA contributions will remain unaffected.

### **For Public Safety Personnel**

- If you're a public safety employee who separates from service at age 50 or older, you're exempt from the 10% penalty for all distributions taken after August 17, 2006.
- Those who may benefit include state or local police, firefighters, and emergency medical service workers.
- While this provision doesn't apply to IRA contributions, it can eliminate the need to set up an early payment plan in order to avoid the 10% penalty.

### **The Bottom Line**

These provisions were made especially to honor our fighting men and women as well as our public safety employees. I'll be more than happy to show you exactly how to make these tax implications work for your retirement.

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