July 20, 2026

IRS Issues Guidance on Optional Long-Term Care Distributions Under SECURE 2.0

The Internal Revenue Service (IRS) has issued guidance on a provision of the SECURE 2.0 Act allowing 401(k), 403(a), 403(b), and eligible governmental 457(b) plans to offer optional distributions to pay long-term care (LTC) insurance premiums. Notice 2026-33 addresses the administration of qualified LTC distributions permitted under Section 334 of the SECURE 2.0 Act for distributions made after December 29, 2025.

Background

The SECURE 2.0 Act introduced significant changes to the retirement system, including new flexibility to address long-term care needs. Section 334 of the SECURE 2.0 Act amended Internal Revenue Code Sections (IRC Secs.) 72(t) and 401(a) to permit defined contribution plans to offer qualified LTC distributions and also added Section 6050Z to establish related reporting requirements. The Notice outlines how these rules work in practice—covering plan administration, reporting, and employee requirements.

Qualified LTC Distributions: Definitions and Limits

The Notice defines a “qualified long-term care distribution” (qualified LTC distribution) as a permitted distribution from a defined contribution plan to pay premiums for certified long-term care insurance, subject to annual limits. A distribution is treated as a qualified LTC distribution only if the total amount for a taxable year is capped at the lesser of

- the premiums paid by or assessed to the employee for certified long-term care insurance covering the employee or their spouse during that year,
- 10% of the present value of the employee’s vested account balance under the plan, or
- a specified dollar limit ($2,600 for 2026, as indexed).

The Notice also defines “certified long-term care insurance” (certified LTC insurance) as coverage that meets specific requirements under the Internal Revenue Code. This includes traditional long-term care insurance contracts, and certain riders on life insurance or annuity contracts that provide long-term care benefits, provided the coverage delivers meaningful financial assistance for long-term care services.

Long-Term Care Premium Statement Requirement

A distribution cannot be treated as a qualified LTC distribution unless a Long-Term Care Premium Statement for the employee has been filed with the plan. The statement must be provided by the issuer (e.g., insurance company) at the request of the coverage owner, and include the following information

- the issuer’s name and taxpayer identification number (TIN),
- a statement confirming the coverage is certified LTC insurance,
- identification of the employee as the coverage owner,

- identification of the covered individual and that individual's relationship to the employee,
- the premiums owed for the coverage for the calendar year, and
- a statement confirming the issuer has satisfied applicable IRS disclosure requirements.

On a calendar-year basis, the coverage owner is responsible for requesting that the issuer send the Long-Term Care Premium Statement to the defined contribution plan designated by the employee. Without this statement, the plan cannot treat a distribution as a qualified LTC distribution.

Tax Treatment of Qualified LTC Distributions

For federal tax purposes, qualified LTC distributions are subject to a distinct set of rules that differ from those applicable to most other plan distributions. These distributions are not treated as eligible rollover distributions and are not subject to the 10 percent additional tax on early withdrawals. However, the 10 percent penalty exception does not apply to distributions used to pay long-term care premiums for a spouse if the employee and spouse file separate federal income tax returns.

These distributions are also subject to the following federal tax and administrative requirements.

- Distributions are generally includable in gross income.
- Rollover options are not permitted, and plans are not required to provide the 402(f) rollover notice.
- The voluntary 10% federal withholding rules under IRC Section 3405(b) apply in place of the 20% mandatory federal withholding requirement.
- No repayment option is available for these distributions.

Plan Design and Amendment Requirements

Qualified LTC distributions are an optional feature for defined contribution plans. As a result, plan sponsors that choose to offer this feature are subject to discretionary, rather than mandatory, amendment timing rules. The Notice extends and maintains the following deadlines for plans that elect to incorporate qualified LTC distributions.

Plan Type	Amendment Deadline
Non-Governmental Plans **Non-Collectively Bargained Plans**	December 31, 2027
Collectively Bargained Plans	December 31, 2028
Governmental Plans	December 31, 2029

LTC Distribution Mechanics and Administrative Rules

The Notice clarifies that qualified LTC distributions may be treated as permissible distributable events, subject to applicable Internal Revenue Code provisions governing 401(k), 403(a), 403(b), and eligible governmental 457(b) plans.

The guidance also provides a safe harbor for plan administrators. Specifically, a plan administrator may rely on the information provided in the Long-Term Care Premium Statement furnished by the issuer and is not required to independently verify that information.

In addition, standard reporting requirements apply. If a plan issues a qualified LTC distribution, the payor must report the distribution on Form 1099-R.

Requirements for Issuers of Long-Term Care Premium Statements

While plan adoption of LTC distributions is optional, the ability to make the actual distribution depends in large part on insurance carrier compliance with the new disclosure and reporting requirements. As a result, both participants and plan administrators should understand these issuer obligations, as they directly affect whether a plan can process a qualified LTC distribution.

- **Issuer Disclosure.** Before a Long-Term Care Premium Statement can be used in connection with a qualified LTC distribution, the issuer (e.g., LTC insurer) must file an Issuer Disclosure with the IRS for each coverage product (or type of coverage). The disclosure must include the issuer's contact information, a general description of the coverage, confirmation that the coverage is certified LTC insurance, and verification of state approval.
- **IRS Acknowledgment Letter.** The IRS reviews each Issuer Disclosure and issues an acknowledgement once the submission is complete. Issuers must receive this acknowledgment before furnishing a Long-Term Care Premium Statement to a plan and should retain the letter as part of their records.
- **Post-Acknowledgment Filing and Updates.** Once the issuer receives the IRS acknowledgment letter, it may furnish a Long-Term Care Premium Statement to the plan administrator, upon the request of an employee. If any of the required information changes, the issuer must submit an updated Issuer Disclosure to the IRS to ensure continued compliance with applicable requirements.

Employee and Insurer Responsibilities for Long-Term Care Premium Statements

When an employee elects to take a qualified LTC distribution, the process begins when the employee requests that their LTC insurer send a Long-Term Care Premium Statement directly to the defined contribution plan identified by the employee.

In practice, issuers of long-term care insurance policies are permitted to request contact information for the plan administrator from the employee to ensure the statement is delivered to the appropriate destination. As a result, plan administrators and service providers may need to update distribution processes to provide accurate contact information, and to receive, track, and retain Long-Term Care Premium Statements needed to support these distributions.

- **Annual IRS reporting.** Issuers that provide a Long-Term Care Premium Statement must file an annual information return, Form 1099-LPS, *Long-Term Care Premiums Paid Statement,* with the IRS for each purchaser. The return is due by February 1 of the following year and must include
    - the issuer's identifying information,
    - confirmation that the coverage is certified LTC insurance,
    - identification of the coverage owner and covered individual, that specifies
        - the relationship between them, and
        - the amount of premiums paid.
- **Statements to Individuals.** Issuers must furnish a written statement (i.e., copy of Form 1099-LPS) to each individual listed on the return by January 31 of the year following the calendar year to which the return relates. This statement must include the issuer's contact information and the total premiums and charges paid for coverage for that individual during the year.
- **Allocation for Multiple Insured Individuals.** For policies covering more than one insured individual, both Form 1099-LPS (filed with IRS) and the written statement (sent to employee) must reflect only the portion of premiums allocable to each covered individual.
- **Requests for Pre-Year End Reporting.** Issuers are also required to provide a copy of the Form 1099-LPS return to an individual upon request prior to year-end and must simultaneously furnish a copy of that return to the IRS.

Next Steps

As interest in LTC distributions grows, staying informed will be important for plan sponsors and employees. Visit ascensus.com for the latest insights and updates.