

781—20.14(12I) Nonqualified withdrawals and participation agreement cancellation. An account owner has the exclusive right to cancel a participation agreement and may do so at will. This rule establishes the criteria for nonqualified withdrawals from an account or for the cancellation of a participation agreement.

20.14(1) The earnings portion of a nonqualified withdrawal is subject to federal income taxation and the federal penalty tax except in certain limited circumstances.

20.14(2) An account owner may at any time make a nonqualified withdrawal of a portion of the amount in an account or cancel a participation agreement, without cause, by submitting the appropriate form to the plan administrator. A nonqualified withdrawal will be paid only to the account owner.

20.14(3) Upon cancellation of a participation agreement, an account owner shall be entitled to the return of the account owner's account balance. If the participation agreement is canceled, the account owner is entitled to the amount in the account, subject to any applicable fees and expenses. The balance shall be mailed or otherwise sent to the account owner after receipt of the appropriate form by the plan administrator.

20.14(4) Funds that are distributed to an account owner in a nonqualified withdrawal shall be reported to the IRS on a 1099-Q in the tax year in which the withdrawal is made. The account owner will receive the 1099-Q for any withdrawal. Nonqualified withdrawals may be subject to state and federal taxes and penalties. Withdrawals may be requested online or by calling the plan. In certain instances, additional documentation may be required before a withdrawal may be processed. Only the account owner may direct withdrawals from the account. Withdrawals will be sent as provided in the plan disclosure documents.

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