

Loan Balance After Termination

The terms of your loan end the day you leave the company. Therefore, the remaining balance may be deemed in default and taxable in the year the payments cease. To avoid your loan being reported as taxable income (and having the 10% penalty tax applied if you are under the age of 59 1/2), you will be required to pay off the loan in full prior to your loan going into default. A loan defaults at the end of the quarter after the quarter in which payments ceased.

Ex. If you leave your employer and your loan payments from payroll stop in January, the loan will default on 6/30. (last day of the following quarter*)**

Please note that loans set to default 12/31 may default earlier in the month for plan year end reporting. Contact our Service Center to get specific details on your individual loan.

**If you request a full distribution of your account prior to the default date outlined, the loan will default at the time of the distribution.

Tax withholding does not apply if the loan default is your only distribution. If you receive a distribution of cash or property in addition to the loan default, tax withholding will apply to the entire distribution, but the withholding amount will not exceed the amount of cash or property (other than employer securities) you receive in addition to the default.

Generally, you may not roll over the amount of an outstanding plan loan. An outstanding loan balance will be *deemed* a distribution at the time of rollover. Tax Reporting information on distributions can be found [HERE](#).

Review the [Special Tax Notice Regarding Plan Payments](#) 

For instructions on paying off your loan balance please go [here](#).

For questions regarding an outstanding loan balance, [contact us](#).

***Quarters are:

Quarter 1: January, February, March

Quarter 2: April, May, June

Quarter 3: July, August, September

Quarter 4: October, November, December