CARES ACT
RELIEF FOR RETIREMENT PLAN PARTICIPANTS

On March 27, 2020, President Trump signed the "Coronavirus Aid Relief, and Economic Security Act" (CARES Act), allocating $2.2 trillion in spending and tax breaks to increase liquidity in the economy, provide relief for individuals and businesses, as well as specific industries most seriously harmed by this pandemic.

Important provisions for retirement plans include relief for premature distributions from participant retirement accounts and increased access to loans.

Here are the **key Retirement Plan provisions** in the CARES Act:

PREMATURE DISTRIBUTION PENALTY RELIEF

The new law waives the 10% penalty on early withdrawals up to $100,000 for coronavirus related distributions from qualified retirement accounts, qualified plans (e.g. a 401(k) plan), and 403(b) plans.

A coronavirus-related distribution is any distribution made on or after 1/1/2020, and before 12/31/2020, from an eligible retirement plan made to a qualified individual.

A qualified individual is an individual (1) who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention (CDC), (2) whose spouse or dependent is diagnosed with such virus or disease by such a test, or (3) who experiences adverse financial consequences as a result of being quarantined, being furloughed, laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

The administrator of an eligible retirement plan may rely on an employee's certification that the employee satisfies any of the three conditions above in determining whether any distribution is a coronavirus-related distribution.

REPAYMENT OF DISTRIBUTIONS

Taxpayers that receive a coronavirus-related distribution have 3 years (instead of the normal 60 days) to repay the distribution to an IRA or other eligible retirement plan. If the taxpayer chooses not to repay it, an election can be made to treat it as income ratably over the next 3 years beginning the year of distribution.

LOANS

Normally an employee cannot borrow more than the lesser of 50% of their vested account balance or $50,000 from their employer sponsored retirement plan. The new law opens a 180-day window from date of enactment, that raises the dollar limit to $100,000 and eliminates the 50% of the account balance limit. Loan repayment can be delayed for up to one year. Interest continues to accrue during the period and the plan can extend the term of the loan for up to one year.

REQUIRED MINIMUM DISTRIBUTIONS (RMD)

Formerly, individuals generally at age 72 were required to take a required minimum distribution from their 401(k), 403(b), 457(b) and IRA plans. The new law waives this requirement for 2020. This does not apply to Defined Benefit Pension Plans.

PLAN AMENDMENTS

The new law permits retirement plans to adopt these rules immediately, even if the plan does not currently allow for hardship distributions or loans. The plan will need to be amended on or before the last day of the first plan year beginning on or after Jan. 1, 2022, or later if prescribed by the Treasury Secretary.

OTHER ITEMS INCLUDED

- Student Debt Relief: Exclusion of up to $5,250 of certain employer payments of employee education loans for payments made from 3/27/2020 before 1/1/2021.
- Health Savings Accounts: Telehealth and other remote healthcare services can be covered pre-deductible, without violating rules for high deductible health plans paired with an HSA