

2020 Legislative Insights

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Plan Sponsor may opt in or out of the provisions

Coronavirus Related Distribution (CRD)

The CARES Act waives the Internal Revenue Code Section 72(t) additional 10% tax on early withdrawals up to \$100,000 from a retirement plan or an IRA for a coronavirus related individual (CRI) for distributions between January 1 and December 31st. A coronavirus related individual (CRI) is: diagnosed with COVID-19; whose spouse or dependent is diagnosed with COVID-19; or who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19.

The plan can rely on the participant's certification of the requirements above. The CARES Act permits those individuals to pay taxes on the income from the distribution ratably over a three-year period unless the participant elects immediate taxation. Individuals are also permitted to repay that amount tax-free back into the plan over the next three years. Those repayments would not be subject to the retirement plan contribution limits.

Plan Loans The CARES Act doubles the current retirement plan loan limits to the lesser of \$100,000 or 100% of the participant's vested account balance in the plan. CRIs may suspend loan payments that were scheduled to occur between the effective date of the Act and December 31, 2020.

Temporary Waiver of Required Minimum Distributions (RMDs) Waives RMDs for calendar year 2020 for DC plans and IRA plans, allowing individuals to keep funds in their retirement plans.

Amendment Date Plans have until the last day of the 2022 plan year to amend their document for the provisions that were elected and governmental plans have until the last day of the 2024 plan year.