



OBSERVATIONS

CARES Act – Retirement Plan Tax Provisions 1

March 27, 2020

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, H.R. 748 passed the Senate on March 25 and awaits House and then Presidential action. The following tax provisions in the Bill pertain to retirement plans in 2020.

Required Minimum Distributions (RMD)

The Act temporarily waives the required minimum distribution rules for 2020 for most retirement plans including 401(k) plans, 403(a) plans, 403(b) plans, 457(b) plans and individual retirement plans. Therefore, taxpayers will not be required to take RMD payments in 2020.

Early Distributions from Retirement Plans

Taxpayers can take up to \$100,000 in distributions between January 1, 2020 and December 31, 2020 from retirement plans without being subject to the 10% additional excise tax for early distributions. The distribution must be related to the coronavirus. Unless the taxpayer elects not to, the income from the distribution will be spread over a three year period.

A coronavirus-related distribution is defined as a distribution to an individual:

- (i) Who has been diagnosed with the virus SARS-CoV-2 or coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- (ii) Whose spouse or dependent has been diagnosed with such virus or disease by such a test, or
- (iii) Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced, being unable to work due to lack of child care.

Coronavirus-related distributions may be repaid within three years and allowable amounts may be treated as rollover distributions making them non-taxable.

The Act also increased certain retirement plan loan maximum amounts to \$100,000 and allows for the deferral of some repayment requirements on loans that exist on or after the enactment of the Act.

We will update this blog as more information becomes available. We wish all of you the very best in a difficult time.