

The CARES Act

Legislation to support American workers and businesses impacted by the COVID-19 health crisis

On March 27, 2020 Congress passed The Coronavirus, Aid, Relief and Economic Security (CARES) Act. Its purpose is to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic. To be eligible, an individual meet one of the following criteria: one who is diagnosed with the coronavirus or COVID-19 (i.e., the infection caused by coronavirus), whose spouse or dependent is diagnosed with the coronavirus or COVID-19; or who has incurred adverse financial consequences as a result of quarantine, job loss, or work hour reductions; being unable to work due to the lack of child care because of the coronavirus or COVID-19; closure or reduced operating hours of an owned or operated business due to the coronavirus or COVID-19; or any other factors determined by the Department of Treasury.

The CARES Act includes provisions applicable to retirement plans including **hardship withdrawals, required minimum distributions (RMDs) and loan distributions.**

Withdrawal changes

- Tax-favored withdrawal, penalty-free, coronavirus-related distributions up to \$100,000 between Jan. 1-Dec. 31, 2020.
- Repayment of coronavirus-related distributions permitted within three years of taking the distribution.
- Coronavirus-related distributions may be included in individuals' taxable income over a three-year period.
- The mandatory 20% withholding will not apply.

Loan changes

- Plan loan dollar limits will be temporarily increased to the lesser of \$100,000 or 100% of the participant's vested balance (applies to loans taken within 180 days of the enactment).
- One-year delay for loan repayments due in 2020 with subsequent payments adjusted to take into account the delay. Loan durations (including the 5-year maximum) may also be disregarded during this period, if payments are delayed.

RMD Changes

- Required Minimum Distributions (RMDs) may be waived in 2020 (including those who had not yet received their first distribution if they turned 70 ½ in 2019).
- A plan or IRA beneficiary receiving distributions over a 5-year period will be able to waive the distribution for 2020.

For a complete overview, please visit <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>