

# CARES ACT – DISTRIBUTION RELIEF OVERVIEW

## KEEPING OUR COMMITMENT TO YOU

The Coronavirus (COVID-19) pandemic is impacting all of us, both personally and professionally. As legislative guidance is changing frequently, TRA is more committed than ever to providing our financial advisor partners and retirement plan sponsors with the factual information they need to make educated decisions regarding the administration of their plan.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27th. In part, the CARES Act provides for tax provision relief related to qualified retirement plans as well as the optional relief for covered individuals, including coronavirus-related distributions (CRDs), coronavirus-related loan provisions and required minimum distribution (RMD) waivers.

### Retirement Plan Provisions for Qualified Individuals:

Coronavirus-Related  
Distributions

Coronavirus-Related  
Loan Provisions

2020  
Required Minimum  
Distributions (RMDs)

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# CORONAVIRUS-RELATED DISTRIBUTIONS

## Tax-favored coronavirus-related distributions (CRDs) up to \$100,000 before December 31, 2020

### Details

- 10% early withdrawal penalty tax is waived.
- For employer plans, COVID-19 distributions are also exempt from the 20% federal tax withholding.
- Ordinary income tax may be paid in equal installments over a three-year period, beginning in tax year 2020.
- Participants may repay CRDs within a specified three-year period, and these repayments will not be subject to the annual contribution limits.
- Participants may self-certify they meet the qualifications (listed below).

### Qualifications

- Participant, spouse or dependent diagnosed with SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug and Cosmetic Act)
- Participant, participant's spouse or member of participant's household experienced adverse financial consequences as a result of the following:
  - Being quarantined, furloughed, laid off, or having work hours reduced
  - Being unable to work due to lack of childcare
  - Closing or reducing hours of a business that they own or operate
  - Reduction in pay or self-employment income
  - Having a job offer rescinded or start date for a job delayed
- Individuals meeting other factors as determined by the Secretary of the Treasury

### Plan Types

401(k), 401(a), 403(b), governmental 457(b), IRA

### Plan Adoption Requirements

This is a new, optional provision that requires a plan document amendment. The plan does not have to be amended for the CARES Act provisions until the last day of the first plan year beginning after January 1, 2022 (or 2024 for governmental plans). It is not necessary for the plan to have an existing hardship or unforeseeable emergency provision to take advantage of CRDs.

### Effective Date

Distributions made before December 31, 2020.

# CORONAVIRUS-RELATED LOAN PROVISIONS

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## Expanded access to loans for 180 days after enactment of the law through September 22, 2020

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### Details

- Loan limits for new loans are increased to the lesser of \$100,000 or 100% of the participant's vested account balance, as adjusted for the outstanding loan balance calculation.
- For new or existing loans, participants may choose to delay loan repayments due in 2020 for up to one year.

### Qualifications

- Participant, spouse or dependent diagnosed with SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug and Cosmetic Act)
- Participant, participant's spouse or member of participant's household experienced adverse financial consequences as a result of the following:
  - Being quarantined, furloughed, laid off, or having work hours reduced
  - Being unable to work due to lack of childcare
  - Closing or reducing hours of a business that they own or operate
  - Reduction in pay or self-employment income
  - Having a job offer rescinded or start date for a job delayed
- Individuals meeting other factors as determined by the Secretary of the Treasury

### Plan Types

401(k), 401(a), 403(b), governmental 457(b)

### Plan Adoption Requirements

This is a new, optional provision that requires a plan document amendment. The plan does not have to be amended for the CARES Act provisions until the last day of the first plan year beginning after January 1, 2022 (or 2024 for governmental plans). Your plan must currently allow for loans, or be amended to allow loans by the end of the current plan year, in order to take advantage of this option.

### Effective Date

Loans made during the 180-day period after the enactment of the Act (March 27, 2020 to September 22, 2020).

# 2020 REQUIRED MINIMUM DISTRIBUTIONS

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## Waiver of 2020 Required Minimum Distributions (RMDs)

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### Details

Waives RMD payments due in calendar year 2020.

- Participants who turned age 70 ½ prior to 2019.
- Participants who turned age 70 ½ in 2019 and did not receive their first RMD for 2019 on or before January 1, 2020 or their 2020 RMD.
- Beneficiary RMDs for beneficiaries receiving life expectancy payments.
- Beneficiaries who have an account balance that is subject to the five-year distribution rule may extend their required distribution by one year (full distribution of the account must be made by the 6th anniversary of the participant's death).

### Plan Types

401(k), 401(a), 403(b), governmental 457(b), IRA

### Plan Adoption Requirements

This is a legislative change that automatically results in the need for a plan document amendment being enacted prior to the last day of the first plan year beginning after January 1, 2022 (or 2024 for governmental plans). Therefore, no election or intent to amend statement is required. TRA will reach out with the necessary amendment language once received, closer to the amendment due date.