



Retirement Plan Provisions of CARES Act

The CARES Act, a bipartisan fiscal stimulus package in response to the COVID-19 pandemic, has been signed into law.

The stimulus package includes provisions regarding retirement plans, including expanded and penalty-free withdrawal rights, expanded loan rights, extended rights to repay loans and withdrawals, and a deferral of mandatory distributions. Relief contained within the Act includes:

Key Highlights of Retirement Plan Implications

Coronavirus-related Distributions*

- 10% early withdrawal penalty and 20% tax withholding waived
- \$100,000 limit across all plans and IRAs
- Option to have income taxed over three years with taxpayer ability to re-contribute within three years regardless of that year's cap
- Participants self-certify that they're impacted

Coronavirus-related Loans*

- Loan limit increased to the lesser of \$100,000 or all of vested account balance
- Repayments due between the date of CARES enactment and year-end delayed one year
- Participants self-certify that they're impacted

Suspension of Required Minimum Distributions (RMDs)

For 401(a), 403(a), 403(b) and governmental 457(b) plans and IRAs, temporary suspension of:

- Annual RMDs due in 2020
- Initial RMDs due to be taken before April 1, 2020

Participants who want to continue taking their distributions will be able to do so.

Additional Provisions

Additional provisions impacting individuals, along with education and healthcare include:

- **Tax payment changes (announced by Treasury ahead of the CARES Act)**
 - Extension of the deadline to file taxes to July 15, which also applies to IRA, HSA and MSA contributions, as well as payments of the 10% penalty for premature distributions made in 2019
 - The period for 2019 employer contributions under Code section 404(a)(6) is also extended until July 15
 - Increase in limitations on deductions for charitable contributions by individuals as well as corporations
 - Individual Recovery Checks of up to \$1,200 for qualified taxpayers, \$2,400 for married couples filing a joint return, with a \$500 increase for every child
- **Student loan relief**
 - Loan payment deferral for six months
 - Allowance for employers to provide a student loan repayment benefit to employees on a tax-free basis
 - Retention of Pell grants for students who were forced to drop out of school due to Coronavirus

- Flexibility for colleges and universities to continue work-study payments to students who cannot work due to Coronavirus closures

- **Relief for healthcare organizations** covering supplies, COVID-19 testing and support for healthcare providers

- **Labor provisions** including changes to paid and sick leave, and unemployment insurance