Retirement Account Relief in the CARES Act

On March 27, 2020, President Donald Trump enacted the Coronavirus, Aid, Relief and Economic Security (CARES) Act. Along with numerous tax provisions, the new law includes a few important retirement account-related provisions summarized below:

Plan-Related Deadlines	Help for Defined Benefit Plans	2020 Required Minimum Distribution Waived	No 10% Penalty for Special Distributions in 2020	Loan Limits Expanded & Some Rules Relaxed
• The Department of Labor (DOL) received special authority to extend certain retirement plan reporting, disclosure, and filing deadlines. • This could provide relief for a variety of filing requirements, such as an automatic extension to postpone Form 5500 filings and give reprieve for participant notices and other mandated disclosures. • Detailed guidance will need to come from the DOL, but more time and relaxed rules are anticipated for 2020.	• The new law delays the date for *required minimum contributions* for defined benefit plans, including cash balance plans, until January 1, 2021. When deposited into the plan, these contributions will need to be increased with interest. This provision helps with cash flow management and will allow to avoid excise taxes when contributions are made by the new due date. **Note:** Other than for April 15, *no additional extension for deduction purposes* with respect to the 2019 tax year was given. Unless another extension is given by the IRS, those in need of a 2019 deduction will have to follow the applicable deduction deadlines and contribute before January 1, 2021. • The new law allows the Adjusted Funding Target Attainment Percentage (AFTAP) to be "frozen" at levels prior to January 1, 2020, thus helping avoid certain funding-related restrictions. **NOTE:** The AFTAP is a measure of a plan's fiscal health. It compares plan liabilities to plan assets available to pay benefits. When an AFTAP falls below a certain level, various restrictions and funding rules kick in.	• Required minimum distribution (RMD) rules that mandate a minimum withdrawal for those age 72* or older are paused for the 2020 calendar year. • This applies to defined contribution plans, e.g. 401(k), profit-sharing, 403(b), 457(b) and individual retirement accounts (IRAs). • No RMD relief is available for defined benefit plans. • This provision applies to 2019 RMDs due by April 1, 2020 and to 2020 RMDs. • No relief is available for distributions taken in 2019. • It appears that RMDs taken earlier in 2020 may be rolled over or redeposited into an IRA account, but IRS guidance will be required. *RMD age: 70.5 for those age 70.5 or older on Dec 31, 2019.	• The Act created a new withdrawal type, coronavirus-related distribution (CRD). • This option applies to amounts withdrawn between January 1, 2020 and before December 31, 2020. • This applies to defined contribution plans, e.g., 401(k), profit sharing, 403(b), 457(b) and IRAs. • Total withdrawal is limited to $100,000 and individual must be eligible as defined in the rule.** • Tax treatment: 10% pre-59 ½ withdrawal penalty and 20% mandatory withholding waived. Income tax applies but may be spread ratably over three years. • May be repaid as a single sum or a series of payments into a retirement plan over the three-year period that begins on the date the distribution is received. • Tax notice requirements are waived; employee can self-certify as to eligibility for CRD.	• Plan loan limits increased to the lesser of $100,000 or 100% of the participant's vested account balance. • Applies to eligible loans taken during the 180-day period starting on March 27, 2020. • For loan repayments due in 2020, the due date may be extended by 12 months. • The five-year repayment period is also delayed. • Loan interest will continue to accrue during delay and repayments will need to be adjusted for accumulated interest. • Individual qualifications mirror those for coronavirus-related distributions.** ** **Eligible Individual** - the individual, or his/her spouse or dependent, must have been diagnosed with SARS-COV-2 virus or the COVID-19 virus, OR the individual suffered adverse financial consequences due to COVID-19 (e.g., quarantine, furlough, layoff, reduction in hours, unable to work due to childcare, closing or reduction in hours of a business owned or operated by the individual).

NOTE: CARES Act provisions may be implemented immediately even if the plan document currently doesn't contain hardship distributions or loan provisions, but the amendment will need to be made on or before the last day of the plan year beginning on or after January 1, 2022 (i.e., December 31, 2022 for calendar-year plans).