The CARES Act & Your Retirement Plan

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on Friday, March 27, 2020. This $2 trillion emergency relief package is intended to assist individuals and businesses during the ongoing coronavirus pandemic and accompanying economic crisis. The CARES Act contains special provisions for coronavirus-related distributions and loans from individual retirement plans. In addition, certain required minimum distributions (RMDs) for individual retirement plans have been suspended for 2020. The following is a summary CARES Act retirement plan provisions.

**Retirement Plan Distributions**
A 10% penalty tax generally applies to distributions from an employer retirement plan or individual retirement account (IRA) before age 59½ unless an exception applies.

**Under the CARES Act:**
 dez The penalty tax will not apply to up to $100,000 of coronavirus-related distributions to an individual during 2020.
 dez Income resulting from a coronavirus-related distribution is spread over a three-year period for tax purposes unless an individual elects otherwise.
 dez Coronavirus-related distributions can also be paid back to an eligible retirement plan within three years of the day after the distribution was received.
 dez The definition of "coronavirus related" applies to individuals diagnosed with the illness or who have a spouse or dependent diagnosed with the illness, as well as individuals who experienced financial hardship due to quarantines, furloughs, and business closings during the epidemic.

**Loans & Retirement Plans**
Employer retirement plans such as a 401(k) can allow an employee to take out a loan. These loans can generally be repaid over a period of up to five years. The loan is generally limited to the lesser of $50,000 or 50% of the total benefit the employee has a right to receive under the plan.

**Under the CARES Act:**
 dez A coronavirus-related loan made between March 27, 2020, and September 22, 2020, the loan limit is increased to $100,000 or 100% of the amount the employee can rightfully receive under the plan (whichever amount is less).

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**Beware IRS-related COVID-19 Scams:**
If you receive a call or e-mail from someone claiming to be with the IRS asking for a pre-payment or for your personal or financial information in order to receive economic impact payments connected with the coronavirus pandemic, it is a scam. Please report it here: [https://www.treasury.gov/tigta/contact_report_covid.shtml](https://www.treasury.gov/tigta/contact_report_covid.shtml)
In the case of a loan outstanding after March 26, 2020, the due date for any repayment that would normally be due between March 27, 2020, and December 31, 2020, may be delayed by coronavirus-related qualifying individuals for one year, and the delay period is disregarded in determining the five-year period and the term of the loan.

**Required minimum distributions (RMDs)**

RMDs are generally required to start from an employer retirement plan or IRA by April 1 of the year after the plan participant or IRA owner reaches age 70½ (age 72 for those who reach age 70½ after 2019). If an employee continues working after age 70½ (age 72 for those who reach age 70½ after 2019), RMDs from an employer retirement plan maintained by the current employer can be deferred until April 1 of the year after retirement. (RMDs are not required from a Roth IRA during the lifetime of the IRA owner.)

**Under the CARES Act:**

- RMDs are suspended from IRAs and defined contribution plans (other than Section 457 plans for nongovernmental tax-exempt organizations) for 2020.
- This waiver includes any RMDs for 2019 with an April 1, 2020, required beginning date that were not taken in 2019.
- This one-year suspension does not generally affect how post-2020 RMDs are determined.