
The CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law. We have put together a brief description of the key facts of the CARES Act below.

Waiver of 2020 Required Minimum Distributions (RMDs)

The Required Minimum Distribution Rules for calendar 2020 for all Defined Contribution plans, including 401(k), 403(b), 457(b), and IRA plans, have been waived. This includes individuals who turned 70 ½ during 2019 and did not take the first distribution during 2019. No election is required from the Employer to take advantage of this legislative change.

Participant Loans

PLEASE NOTE: If your Plan does not currently allow for loans, please contact us for the rules regarding adding loans to your Plan. If you are unsure of whether your Plan currently allows for loans you may find that in your Summary Plan Description (SPD) or contact us.

- Loan limitations may be increased to the lesser of \$100,000 or 100% of the participant's vested account balance in the Plan for loans taken within 180 days after enactment date of 3/27/2020;
- Delay of Loan Repayments:
 - for payments due from date of enactment through December 31, 2020;
 - may be delayed for one year;
 - period of delay can be added to the 5 year period;
 - interest accrues during delay;
- Qualifying participant as noted in section below;
- **Sponsor must elect to allow these provisions but amendments not required until 2022.**

Coronavirus-related Distributions

- Distributions between 1/1/2020 and 12/31/2020;
- Maximum distribution allowed is \$100,000 per individual;
- Not subject to 10% early withdrawal tax under IRC §72t;
- Not treated as eligible for rollover, therefore, no notice required and no 20% mandatory withholding;
- Can be repaid over a 3 year period as a 'rollover' contribution;
- If not repaid, included in income over a 3 year period;
- No distributable event requirements such as age 59 ½, severance of employment, etc.
- Qualifying participant as noted in section below;
- **Sponsor must elect to allow these provisions but amendments not required until 2022.**

Qualifying Participant for Loans/Distributions

- Participant who is diagnosed with the virus (via test approved by CDC); or,
- Participant whose spouse or dependent is diagnosed with virus; or,
- Participant who experiences adverse financial consequences as a result of:
 - Being Quarantined;
 - Being furloughed;
 - Being laid off;
 - Having work hours reduced;
 - Being unable to work due to lack of child care;
 - Closing or reducing hours of a business.
- Participant must certify to the above.

If you would like to enact any of the above provisions, please respond to our email and we will contact you directly.

We will keep you updated as further guidance is provided from the appropriate governmental agencies. In the meantime, please be safe and let us know if you have any specific questions.