Coronavirus Aid, Relief and Economic Security (CARES) Act

Coronavirus-Related Distributions & Updated Plan Loan Provisions

**Coronavirus-Related Distributions (CRD’s)**

1. The CARES Act allows for CRD’s before 12/31/2020 of up to $100,000 from a retirement plan or IRA for a qualified individual who meets at least one of the qualifying criteria set forth below.
2. The CARES Act waives the 10% early withdrawal penalty tax on CRD’s for those younger than age 59 ½.
3. The legislation exempts CRD’s from the 20% mandatory federal income tax withholding.
4. The legislation also permits CRD recipients to pay tax on the income from the distribution ratably over a three-year period.
5. The individual can repay CRD’s tax-free back into the plan over the next three years. Those repayments would not be subject to the retirement plan contribution limits.

**Updated Plan Loan Provisions**

1. Plan loan limits can increase to the lesser of $100,000 or 100% of the participant’s vested account balance in the plan for loans requested during the 180 day period ending on 9/24/2020.
2. Individuals with an existing loan outstanding from their plan with a scheduled repayment due from the date of enactment of the CARES Act through Dec. 31, 2020 can delay their loan repayment(s) for up to one year.

**Qualifying Criteria**

The new Coronavirus Related Distribution option and the updated plan loan provisions apply to all employees who meet at least one of the following criteria:

1. Anyone who is diagnosed with the COVID-19 virus by a test approved by the Centers for Disease Control and Prevention;
2. Anyone whose spouse or dependent is diagnosed with such virus or disease by such a test; or
3. Anyone who experiences adverse financial consequences as a result of:
* being quarantined;
* being furloughed, laid off, or having work hours reduced due to such virus or disease;
* being unable to work due to lack of childcare due to such virus or disease;
* closing or reducing hours of a business owned or operated by the individual due to such virus or disease; or
* other factors as determined by the Secretary of the Treasury (further guidance is anticipated)