Retirement Plan Provisions of the CARES Act

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act, H.R. 748 became law on March 27, 2020. Included in the many relief provisions are certain provisions that relate to qualified retirement plans. The following is a summary of the important changes of the CARES Act.

- Distributions Without Excise Tax. Distributions prior to age 59 ½ to are generally subject to an early distribution 10% excise tax.[2] Under the new CARES Act, the excise tax will not apply to "coronavirus-related distributions" up to $100,000 per person from qualified retirement plan accounts to Qualified Individuals. The amounts distributed may be repaid to the same or a different qualified retirement plan within three years after the date the distribution is received, without regard to any plan limit on contributions. If the individual does not re-contribute the distribution within that time period, taxation on the distribution may be spread over a 3-year period. The term "Qualified Individual" includes an individual (i) who is diagnosed with COVID-19 by a CDC-approved test, (ii) whose spouse or dependent is diagnosed with COVID-19 by a CDC-approved test, (iii) the individual experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19, or who is unable to work due to COVID-19 child care issues. A plan administrator of the plan may rely on the individual's certification that the individual qualifies for a coronavirus-related distribution under these categories.

- Loans from Qualified Plans. For the next six months, the $50,000 loan limit, for loans from qualified plans to "Qualified Individuals" is increased to $100,000, and the cap of 50% of the present value of the vested benefit is increased to 100% of such present value. Also, the due date for any repayment for a participant loan that would occur from the date of enactment through December 31, 2020, is delayed for up to one year. Later repayments for such loan are

[1] Williams Coulson provides a full range of legal services related to qualified and nonqualified retirement plans, and welfare plans. Please call Jeff Bragdon at (412) 454-0233 or Mike Lloyd at (412) 454-0225.

[2] There are many exceptions to the application to the early distribution tax.

also adjusted "appropriately" to reflect the prior delayed due date "and any interest accruing during such delay."

- Minimum Required Distributions. Minimum distributions otherwise required in 2020 from defined contribution plans need not be made. Minimum distributions with required beginning dates in calendar year 2020, which have not yet been made by January 1, 2020, and which are required from defined contribution plans, need not be made in 2020. This waiver is applicable to (i) qualified defined contribution plans, (ii) Section 403(a) and 403(b) plans, (iii) governmental defined contribution, (iv) 457(b) plans, and (v) IRAs.

- Defined Benefit Plan Funding Requirements. Single employer defined benefit plan funding requirements for 2020, including quarterly contributions, may be deferred until January 1, 2021, at which time they must be paid with interest.

- Plan Amendments. A plan need not make the plan amendments until the last day of the first plan year beginning on or after January 1, 2022.

For more information about the retirement plan changes of the CARES Act, contact Jeff Bragdon at (412) 454-0233 or by email at jbragdon@williamscoulson.com.