

CARES Act Retirement Savings Plan Provisions

Part of the CARES Act's relief permits individuals in eligible retirement plans to receive coronavirus-related distributions for any taxable year up to \$100,000. In addition, the CARES Act waives the required minimum distribution for certain defined contribution plans and IRAs for calendar year 2020.

What are the special rules for use of retirement funds in Section 2202?

Section 2202 of the CARES Act allows individuals to receive a coronavirus-related distribution up to \$100,000 without incurring the 10% early withdrawal penalty from eligible retirement accounts for coronavirus-related purposes on or after January 1, 2020. Eligible retirement plans are:

- Individual Retirement Account described in section 408(a);
- Individual Retirement Annuity described in section 408(b) (other than an endowment contract);
- A qualified trust;
- Annuity plan described in section 403(a);
- Eligible deferred compensation plan described in section 457(b); and
- Annuity contract described in section 403(b).

The distribution can only be made to a "qualified individual" who is defined as an individual:

- I. Who is diagnosed with COVID-19 by a test approved by the CDC;
- II. Whose spouse or dependent is diagnosed with COVID-19 by a test approved by the CDC; or
- III. Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or working hours reduced due to such virus or disease, being unable to work due to lack of child care 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 Treasury.

Credit union retirement plan administrators may rely on a certification that the individual has met one of the criteria to be a qualified individual in determining whether any distribution is a coronavirus-related distribution.

The CARES Act allows individuals to repay any coronavirus-related distribution during a 3-year repayment period to any eligible retirement plan. Repayment within the three-year period will be treated as having satisfied the general 60-day rollover requirement.

In the case of any coronavirus-related distribution, income attributable to such distributions would be subject to tax over three years, any amount required will be included in the gross income for the taxable year unless the taxpayer elects not to have it apply for any taxable years. Members should consult with their tax professionals regarding their options.

What are the temporary waiver of required minimum distribution rules for certain retirement plans and accounts in Section 2203?

Section 2203 waives the required minimum distribution (RMD) for certain defined contribution plans and IRAs for calendar year 2020. Due to recent market declines caused by the economic fallout of the COVID-19 emergency, many participants 70 ½ and older are receiving RMDs from severely impacted IRAs and other defined contribution plans.

The CARES Act provides relief to individuals who would otherwise be required to withdraw funds and applies to individuals who attained 70 ½ or older in 2019 and allows them to waive distributions made on or after January 1, 2020.

Plans or annuity contracts need to be amended with Section 2203 by the last day of the first plan year beginning on or after January 1, 2022.