

CARES Act Retirement Plan Updates: In-Service Distributions

Articles, COVID 19: Answers to Business Challenges April 1, 2020

The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted on Friday, March 27, 2020, there have been changes to retirement plans.

In-Service Distributions

The Act waives the 10% excise tax that generally applies to pre-age 59½ withdrawals for qualifying withdrawals made from a retirement plan or an IRA during 2020. The withdrawal may be up to \$100,000 by a qualified individual who is someone affected by the virus in one of the following ways:

- who is diagnosed with COVID-19,
- whose spouse or dependent is diagnosed with COVID-19, or
- who experiences adverse financial consequences because of the following circumstances:
 - being quarantined, furloughed or laid off, or having work hours reduced due to the virus,
 - being unable to work due to lack of child care due to the virus, or
 - the closing or reduced hours of a business owned or operated by an individual due to the virus
- other factors as determined by the IRS

Individuals may pay the taxes due for the distribution evenly over three years. Individuals also may repay to the plan the withdrawn amount over three years.

The administrator of a plan may rely on the employee's self-certification that the employee qualifies for this treatment.

Plan sponsors may decide whether to offer this feature under their retirement plan. The formal amendment of the plan document can be postponed at least until the last day of the plan year beginning in 2022.

For additional information contact Ed Wodarczyk.