The purpose of the “Coronavirus Aid, Relief, and Economic Security Act,” abbreviated as the CARES Act, is to provide emergency assistance and a health care response for individuals, families, and businesses affected by the 2020 Coronavirus pandemic. The CARES Act is the largest stimulus in American history. The following are specific legislative considerations from the law impacting retirement plans:

**Hardship Withdrawals General Rules**

Current rules permit hardship withdrawals for states that have been declared a Federal Disaster Area (FEMA Federal Disaster Declaration). Several states have received this declaration, but not all states are included. If the six Safe Harbor hardship reasons are used by a Plan, no changes are needed to take advantage of the current general rules, and to request a hardship for purposes of a Federal Disaster Area declaration. This is not the new Coronavirus Hardship option from the CARES Act.

**Coronavirus Hardship Withdrawals**

- The act waives the 10% “early distribution” penalty for “coronavirus-related distributions” of up to $100,000 from tax qualified plans.
- Participants may repay the distributions within three years of the distribution.
- The distribution may be included in income (for income tax purposes) ratably over three years, if not repaid in that same period.

A “coronavirus-related distribution” means any distribution from a tax-qualified retirement plan made on or after January 1, 2020, and before December 31, 2020, to an individual: (1) Who is diagnosed with a disease designated as coronavirus by a test approved by the Centers for Disease Control and Prevention; (2) Whose spouse or dependent is so diagnosed; or (3) Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to the coronavirus, 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 the Treasury.

Plan Sponsors/Plan Administrators may rely on an employee certification for purposes of the new coronavirus hardship withdrawal.
Waiver of Required Minimum Distributions for Defined Contribution Plans for 2020

Participants are not required to make a RMD for the 2020 tax year.

Plan Loan Rule Modifications

Plan loan rules are modified for individuals impacted by coronavirus (see Coronavirus Hardship rules above for the definition of who is “impacted”). For 180 days from enactment of the Act, qualified individuals with respect to Coronavirus may take a plan loan up to $100,000 or 100% of their account balance (prior rule is $50,000 or 50% of account balance). Also, the due date for beginning repayment of a qualified Coronavirus loan taken between enactment and December 31, 2020 is delayed for one year from the date the loan is taken.

Defined Benefit Plans

(1) Minimum funding rules for 2020 are delayed until January 1, 2021. The contribution must be increased for interest if delayed. (2) Plans may use their 2019 funding target for the 2020 plan year.

Plan Amendments Related to CARES Act Changes

Plans have until the end of the plan year beginning on or after January 1, 2022 to retroactively adopt any plan amendments related to the CARES Act changes. Document Providers will be in touch in this regard in the near future.