



CARES Act Relief for Retirement Plan Participants

President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on Friday, March 27, 2020. While most of the law provides economic help for businesses, it also offers relief options for participants of 401(k) retirement plans and Individual Retirement Accounts (IRAs). Complete Payroll Solutions understands this is a challenging time, and we are working diligently to support you and incorporate these changes as quickly as possible.

Do You Qualify?

To qualify for CARES Act loan and distribution relief, the request must be related to Coronavirus (COVID-19), self-certified by the participant, and confirmed by the plan administrator. Your loan or distribution request will include the certification form. A participant actively employed or on a leave of absence will qualify if any of the following conditions are met:

- He or she, a spouse, or dependent was diagnosed with COVID-19.
- He or she experienced adverse financial consequences because of quarantine, furlough, lay off, reduced work hours, or lack of childcare due to COVID-19.
- The business was closed or had reduced operating hours because of COVID-19.

Loans

- Qualifying participants can take a loan from their retirement plans, if the plan allows for loans. Please check with your plan administrator to verify if your plan allows for loans.
- The maximum loan amount for loans issued between March 27 and September 27, 2020, was increased to the lesser of 100% of a participant's vested account balance or \$100,000 (minus any outstanding loan balances).
- Participants who have new loan balances between March 27 and December 31, 2020, can defer repayments for up to one year.

Loan Repayments – Existing Loan

- Qualifying participants who held a retirement plan loan balance between March 27 and December 31, 2020, can defer existing loan repayments for up to one year.
- Loan balances will continue to accrue interest during this delayed timeframe.
- The maximum 5-year loan term is disregarded for outstanding loans deferring payment for 1 year.

Hardship Distributions for Federal Disaster

- If a state is declared a federal disaster area by the Federal Emergency Management Agency (FEMA), plan participants residing or employed in those states may be eligible for a 401(k) hardship withdrawal for expenses and losses incurred because of the disaster.
- FEMA is updating this state list regularly. Please verify online at [fema.gov/disasters](https://www.fema.gov/disasters).

Required Minimum Distributions (RMDs)

- RMDs are suspended for 2020 for all qualifying RMD retirement plan and IRA participants required to withdraw funds from such retirement accounts between January 1 and December 31, 2020 (including required beginning date distributions for April 1, 2020).
- This applies to all participants in retirement plans (401(k), 403(b), 457(b) plans) and IRAs.

COVID-19 Related Distributions

- Qualifying participants can take a distribution of up to \$100,000, between January 1 and December 31, 2020, from a qualified retirement plan.
- The CARES Act waives the 10% early withdrawal penalty for anyone under age 59 1/2.
- Federal income tax withholding of 10% will be withheld from the distribution or participants can spread the tax liability over a three-year period. The distribution is not eligible for rollover.
- Participants may recontribute the amount within three years of the distribution, to any 401(k), 403(b) or 457(b) plan, or IRA that allows rollover contributions; however, repayment is not required.

Complete Payroll Solutions does not provide financial advice or investment guidance. Please consult with your tax advisor when deciding to use your retirement plan for economic relief. The effects of the pandemic on the market may have changed your tax bracket or lowered your overall asset balance, which may affect your decisions.

This content is accurate as to the date it was issued and based on available information at the time. Information is subject to change.

877.253.9020