

Coronavirus-Related Distributions (QRD) Q&A for Plan Sponsors

What is a Coronavirus-Related Distribution?

Congress recently passed the CARES Act, which created a new distribution event for retirement plans called a “Coronavirus-Related Distribution” or CRD. Adding CRDs to the plan is optional.

Participants in the 401(k) Plan may take a CRD if the participant:

- is diagnosed with the SARS-COV-2 virus or COVID-19 disease in a test approved by the Centers for Disease Control and Prevention (CDC), or has a spouse or dependent who is similarly diagnosed; or
- because of the virus or disease, has experienced adverse financial consequences as a result of
 - being quarantined;
 - being furloughed, laid off, or having work hours reduced;
 - being unable to work for lack of child care;
 - facing reduced hours or closure of a business owned or operated by the participant; or
 - other factors determined by the Treasury Secretary.

A participant will self-certify that they meet these requirements when they submit their request. Ultimately, participants must be able to prove their eligibility in the event that the IRS challenges it.

A CRD distribution

- must be distributed before December 31, 2020;
- cannot be more than \$100,000 in total, which includes distributions from all eligible retirement plans and IRAs combined;
- is subject to 10% withholding—which the participant may waive—instead of the normal 20% mandatory withholding;
- will not be subject to the 10% early distribution penalty when participants file their 2020 income tax returns;
- for personal income taxes, can be taxed ratably over a 3-year period instead of all in 2020; and
- can be repaid into an eligible retirement plan or an IRA as a rollover contribution, if repaid within 3 years of the distribution.

How may a participant request a Coronavirus-Related Distribution, if I elect to add CRDs to the plan?

The participant will need to complete and sign a “Coronavirus-Related Distribution Request” form from your Recordkeeper. The form will include a self-certification that the participant meets the above criteria.

What if I have questions?

You can contact your Recordkeeper’s service team or contact us at Trinity Advisors. Reach out to Michael at Trinity Investment Advisors, mkmccabe@trinityadvisorsgroup.com or (610) 344-9300.

The above is a summary based on current understanding of the new legislation. Some changes may occur as recordkeepers work through the logistics.

