



As of March 27, 2020

PLAN PARTICIPANT UPDATE:

Impact of Federal Coronavirus Legislation for Individuals and Retirement Plans/IRAs

On March 27, U.S. Congress approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act—a sweeping, \$2 trillion relief package in response to the COVID-19 outbreak. The Act provides critical financial support to individuals and businesses. Included in the CARES Act are provisions that affect individuals and retirement plans, which could help relieve some of the financial stress individuals and employers are facing. Specifically, relief provided in the CARES Act:

Retirement Assistance

Plan withdrawals and loan relief:

The CARES Act would provide tax relief for retirement plan and IRA “coronavirus-related distributions” taken by individuals on or after January 1, 2020 and before December 31, 2020. For any such distribution, the CARES Act:

- allows in-service distributions;
- provides an exception to the 10% early distribution penalty;
- exempts the distribution from the mandatory 20% withholding;
- allows the individual to include income attributable to the distribution over the three-year period beginning with the year the distribution would otherwise be taxable; and
- allows recontribution of the distribution to a plan or IRA within three years.

Definition of “coronavirus-related distribution:

To be a coronavirus-related distribution, a distribution must be made to an individual:

- who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- whose spouse or dependent is diagnosed with such virus or disease by such a test, or
- who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work 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 the Treasury (or the Secretary’s delegate).

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Plan loans:

First, the Act will increase the maximum loan limit for qualified individuals to the lesser of:

1. \$100,000 (from \$50,000); or
2. the greater of \$10,000 or 100% (from 50%) of the value of the participant's vested account.

This increased loan amount would be available for loans made during the 180-day period beginning on the date of enactment. Second, the Act would extend the due date of any qualified individual's loan repayment that would otherwise be due during 2020 (but on or after the date of enactment) to one year after the otherwise applicable due date. For this purpose, a qualified individual is an individual who would qualify for a coronavirus-related distribution under the above conditions.

Required minimum distributions ("RMDs"):

RMDs for 2020 are waived for 2020 for all types of DC plans (including 401(k), 403(b), and governmental 457(b) plans) and IRAs. This also applies to RMDs due in 2020, but attributable to 2019.

It is a true waiver. The client does not need to make up the distribution next year.

Individual Assistance

2020 recovery rebates for individuals:

All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$500 per child. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits.

For the vast majority of Americans, no action on their part will be required in order to receive a rebate check as IRS will use a taxpayer's 2019 tax return if filed, or in the alternative their 2018 return. This includes many low-income individuals who file a tax return in order to take advantage of the refundable Earned Income Tax Credit and Child Tax Credit. The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.

For assistance in completing your paperwork, please contact your Retirement Plan Provider.

For assistance about your plan options, please contact Heffernan Retirement Services at (800) 437-0045 or Rebecca Tapia at (415) 808-1369, rebeccat@heffgroup.com.

Please stay healthy and contact us if you have any questions or concerns.

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