

CARES Act
Retirement Accounts Provisions
RMDs • Early Distributions • Loans

1. **Coronavirus-Related Distributions from IRAs and Qualified Retirement Plans** means distributions to a “**Qualified Individual**” not to exceed a cumulative amount of \$100,000 under the following circumstances.
 - A. Distributions must occur during the 2020 calendar year (January 1, 2020 – December 31, 2020)
 - B. A Qualified Individual is someone:
 - 1) Diagnosed with the virus SARS-CoV-2 or with Coronavirus Disease 2019 (COVID-19). The diagnosis must be made with a test approved by the Centers for Disease Control and Prevention.
 - 2) A person whose spouse or dependent is diagnosed with the virus or disease.
 - 3) A person who experiences adverse financial consequences as a result of being
 - a. Quarantined.
 - b. Furloughed, laid off, or having work reduced as a result of the virus or disease.
 - c. Unable to work due to a lack of childcare as a result of the virus or disease.
 - d. Closing or reducing hours of a business owned or operated by the individual due to the virus or disease.
 - e. Other factors as determined by the IRS.
 - C. Such distributions are not subject to the 10% early withdrawal penalty on individuals under 59 ½. (However, distributions will still be subject to federal and state income taxes, see next item.)
 - D. Such distributions are exempt from the mandatory 20% federal withholding requirements. Taxpayers are eligible to self-certify they are eligible for the 20% exemption when making a qualifying withdrawal from their retirement account.
 - E. Qualifying “Coronavirus-Related Distributions” are eligible to be included in taxable income, equally, over a 3-year period beginning in 2020. Taxpayers can elect out of the 3-year spread. Note: In a normal year, taxpayers may be in a much better situation by using the 3-year spread. However, if their 2020 taxable income is extremely low and is expected to rebound in subsequent years to normal levels, the taxpayer may benefit more by including the entire amount as income on their 2020 return.
 - F. Individuals can rollover “Coronavirus-Related Distributions” within 3 years of the Distribution.
 - 1) The rollovers can occur in a single rollover (repayment) or multiple rollover transactions in the three-year period.
 - 2) The taxpayer will need to file an amended return to claim a refund for the tax on the portion of the rollover previously included in income.

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2. Qualified Retirement Plan Loans
 - A. Individuals are eligible to take loans from a qualified retirement plan during the 180-day period beginning on March 27, 2020 for amounts up to \$100,000 subject to certain limits and requirements (increased from the normal limitation of \$50,000).
 - B. Individuals are eligible to borrow their entire vested balance in their retirement plan up to the \$100,000 limit. Normally the amount is capped at the lesser of \$50,000 or 50% of any vested amount over \$20,000.
 - C. A Qualified Individual with an outstanding loan balance with payments due between March 27, 2020 and December 31, 2020 are delayed for 12 months from the original due date.
3. Required Minimum Distributions (“RMDs”) from Defined Contribution Plans and IRAs
 - A. RMDs are waived during 2020. This includes RMDs that would have been required in 2019 because the taxpayer turned 70 ½ but chose to defer and take two RMDs in 2020. Both the deferred RMD and the current year RMD are waived.
 - B. If you have already taken an RMD for 2020 you can return the RMD to avoid taxation on the amount received.