



**Benjamin Gibbons**

Partner  
208.383.3981  
Boise  
bagibbons@hollandhart.com

# EMPLOYEE BENEFITS RELIEF: Increased Distributions and Loans from Plans/Elimination of RMD

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Retirement plan distributions and participant loans of up to \$100,000 are available to plan participants under the CARES Act if such provisions are adopted by plan sponsors. The CARES Act also provides an option for plan sponsors to waive the required minimum distribution requirements for calendar year 2020.

## **Coronavirus-Related Distributions**

Plan sponsors may offer participants the option to take coronavirus-related distributions (CV distributions) of up to \$100,000 from their accounts in qualified retirement plans, 403(b) plans, and governmental 457(b) plans.

- CV distributions are available to participants who become ill (or whose spouses or dependents become ill) from COVID-19 or who experience adverse financial consequences from being furloughed, laid off, or quarantined; losing childcare; losing work hours; or other impacts identified by the U.S. Department of Treasury and IRS. Participants are able to self-certify their eligibility for a distribution.
- CV distributions may be taken up until December 30, 2020.
- CV distributions are not subject to the 10% early withdrawal penalty for distributions to made participants under age 59.5. While the distributions otherwise remain taxable (unless repaid, as discussed below), participants may include the income from the distribution ratably over a 3-year period.
- Participants are permitted to repay CV distributions within 3 years of the distribution. If the distribution is repaid within the 3-year period, it will be treated as a rollover.

## **Changes to Plan Loan Rules**

Plan sponsors also have the option to increase the maximum plan loan amount available to participants from \$50,000 to \$100,000 (or 100% of a participant's vested account if less than \$100,000) for loans taken by September 22, 2020 (180 days after the enactment of the CARES Act). Additionally, effective for both existing loans made prior to the CARES Act and new loans taken during 2020, plan sponsors may permit loan repayments to be delayed for 1 year. In both instances, a participant must become ill (or the participant's spouse or dependents must become ill) from COVID-19 or experience adverse financial consequences as a result of being furloughed, laid off, or quarantined; losing childcare; losing work hours; or due to other impacts identified by the U.S. Department of

Treasury or IRS, in order to be eligible for loan relief.

### **Waiver of Required Minimum Distributions**

The CARES Act provides plan sponsors with the ability to forego making required minimum distributions (RMDs) for 2020. Participants who are required to take RMDs from their retirement plans (generally those over age 72) are not required to take RMDs for 2020 or 2019 RMDs that were to be made by April 1, 2020. Further, calendar 2020 will be disregarded for purposes of determining the period for the required depletion of inherited retirement plan accounts and IRAs. Finally, distributions of amounts that would have otherwise been subject to RMDs in 2020 may be rolled over to other plans, including 2020 RMDs distributed before the CARES Act guidance (provided such rollovers are completed by August 31, 2020).

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