Doherty Wallace Pillsbury & Murphy P.C.

Retirement Plans and the CARES Act
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Attorneys Angelina P. Stafford and Stefan Sjoberg

The *Coronavirus Aid, Relief, and Economic Security Act* ("CARES Act") was signed into law on March 27, 2020 in an effort to provide aid and relief to the individuals, business, and other entities who have been impacted by the coronavirus ("COVID-19"). In addition to providing financial assistance, the CARES Act also creates special rules that apply to certain types of retirement plans.

Waiver of Required Minimum Distributions

Generally, individuals owning certain retirement accounts (including IRAs, tax-qualified retirement plans, IRC Section 403(a) individual retirement annuities, IRC Section 403(b) annuity plans, and governmental IRC Section 457(b) plans) must take a required minimum distribution (known as an "RMD") of a specified portion of the account by April 1 each year after reaching age 72. Prior to the adoption of the SECURE Act on January 1, 2020, the mandated age for taking RMDs was age 70 ½. The RMDs are generally taxed as ordinary income.

The CARES Act provides temporary relief from the minimum distribution requirements by waiving all RMD's for calendar year 2020, whether an initial distribution or a subsequent annual distribution. This relief also suspends RMDs that would have been required by April 1, 2020, where the plan participant first reached the mandated age for distributions in 2019 (then 70 ½). Unlike other retirement plan provisions in the CARES Act, the suspension of RMDs applies regardless of whether the participant was affected by COVID-19.

COVID-19 Related Distributions and Loans from Retirement Accounts

The CARES Act also allows employers to provide *optional* expansions that permit certain participants to receive COVID-19 related distributions, up to $100,000, from eligible retirement plans. These early distributions may be taken in calendar year 2020 if the participants, their spouses, or dependents are diagnosed with COVID-19 or by participants who are economically harmed as a result of the COVID-19 pandemic. The participant may choose to retain the early distribution subject to an income tax that will be paid over a three-year period, or the participant may repay the early distribution to the retirement account over a three-year period (to avoid the imposition of the tax). Ordinarily, an additional 10% tax (commonly referred to as an early withdrawal penalty) is imposed on early distributions taken from qualified retirement plan before a participant reaches age 59 ½. The CARES Act modifies this rule and allows participants who are impacted by COVID-19 to take these early distributions without incurring the additional 10% penalty.

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Doherty, Wallace, Pillsbury & Murphy, P.C.
One Monarch Place, Suite 1900 • Springfield, MA 01144-1900 • T 413-733-3111 • F 413-734-3910 • dwpm.com