March 23, 2020

Coronavirus Aid Package Includes Emergency Withdrawal & Loan Relief for Retirement Savings Accounts

Please note: The below information may require updating, including additional clarification, as the COVID-19 pandemic continues to develop. Please monitor our main COVID-19 Task Force page and/or your email for updates.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law March 27, 2020, allows participants in defined contribution plans (profit sharing, 401(k), and 403(b) plans) to access their retirement savings now. Effective upon enactment, the CARES Act would allow eligible individuals who are physically or economically affected by the coronavirus outbreak easier access to withdrawals and loans from their retirement savings accounts. The access options are similar to the relief Congress provided after recent natural disasters.

Coronavirus-Related Distributions

- The relief applies to withdrawals made between January 1, 2020, and December 31, 2020.
- Eligible individuals may withdraw up to $100,000 from their qualified plan accounts.
- The 10% penalty on early distributions is waived.
- Income inclusion for the withdrawal may be spread ratably over 3 taxable years, beginning with the year of the distribution.
- Participants may repay the distribution within 3 years of receipt to avoid inclusion in income.

Relaxed Plan Loan Rules

- Doubles the maximum plan loan limit from the lesser of $50,000 or 50% of the vested benefit to the lesser of $100,000 or 100% of the vested benefit, reduced by prior loan balances, for loans taken by eligible individuals between March 27, 2020, and September 23, 2020.
- Allows deferment of loan payments for eligible individuals for outstanding plan loan payments that are due between the date of enactment and December 31, 2020, for up to one year.
- Interest on the loan will continue to accrue during any deferment period, and loan payments must be reamortized when payments recommence.
- The period of deferment will be disregarded for purposes of applying the 5 year maximum loan repayment term for general purpose loans.

Eligible Individuals

- Any person who has tested positive for virus SARS-CoV-2 or coronavirus disease 2019 (COVID-19), or anyone whose spouse or dependent tests positive for the virus or disease.
- Any person 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 that person due to such virus or disease, or other factors as determined by the Secretary of the Treasury.
- Plan administrators may rely upon a participant's self-certification that the participant is eligible for the coronavirus-related distribution, but this self-certification does not currently apply for purposes of establishing eligibility for the loan limit increases or loan deferment.

Plan Amendments

If the sponsor of a tax-qualified plan wishes to provide the withdrawal or loan relief to qualified individuals, the plan operations must comply with the CARES Act, and the plan must be amended by the last day of the plan year that begins on or after January 1, 2022 (December 31, 2022 for calendar year plans).