Trump signs Coronavirus Relief by Ary Rosenbaum

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act (the "Act") into law with substantive retirement plan changes.

Among the changes:

Distribution free from the early distribution penalty.
Coronavirus-related distributions that don't exceed $100,000 won't be subject to the 10% early distribution penalty under Code Section 72(t). The early distribution penalty won't attach to any distribution from a qualified plan that is made on or after January 1, 2020, and before December 31, 2020, to an individual participant who is one of the following:

- An individual who is diagnosed with COVID-19 or SARS-CoV-2;
- An individual whose spouse or dependent is diagnosed with COVID-19 or SARS-CoV-2; or
- An individual who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, experiencing a reduction of work hours, inability to work due to lack of child care caused by COVID-19 or SARS-CoV-2, the closing or reduction of hours by a business owned or operated by such participant due to COVID-19 or SARS-CoV-2, or other factors determined by the Treasury Secretary.

The plan administrator just has to rely on the affected participant's certification that he/she falls under this exception to the early distribution penalty. Tax on the distribution can be spread pro-rata over three years. The individual has an opportunity to repay the coronavirus distribution to the plan over the next three-year period which begins on the date following the distribution.

Plan Loans. The CARES Act expands access to plan loans for "qualifying individuals," a group defined to include only those individuals who qualify for a Coronavirus-Related Distribution (described above). The maximum loan that can be taken is increased to the lesser of $100,000 or 100% of an individual's vested account balance. This Coronavirus related limit is double the current limit under the law (which is the lesser of $50,000 or 50% of an individual's vested account balance.) Also, affected individuals with outstanding loan balances on or after the date of enactment of CARES ACT may be allowed to delay loan repayments for up to one year regardless of the five-year repayment period. So that means that future payments will be adjusted to reflect interest accrued for the period of delay and the term of the length of the loan will be extended.

Minimum Distributions Waived. The required minimum distribution requirements are waived for distributions that should have been made in 2020 for a required beginning date that occurs in 2020.

Relief for pension plans. Minimum contributions to single-employer plans which would be due in 2020 shall be due (plus accrued interest) January 1, 2021.

Student Loan Relief. The CARES Act will allow employees to exclude up to $5,250 in employer-paid student loan principal and interest from income in 2020. Employers can make the payments directly to an employee or the lender under an educational assistance program established by the employer under Code Section 127. Thus provision applies to student loan payments made before January 1, 2021.

Plan Amendments. Plans don’t have to be amended until the last day of the first plan year commencing on or after January 1, 2022.