



Jones, Nale & Mattingly PLC

From your JNM Employee Benefit Plan Team

In these uncertain and challenging times, JNM is here to offer advice and assistance navigating your business through the various series of news laws and guidance that has been finalized by the Federal Government over the past 2 weeks. The following is a detailed description of the various aspects of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that we believe will be most helpful. We encourage our clients to carefully review the various aspects of the CARES Act. JNM has developed various tools to advise and assist you with navigating this new law.

The CARES Act – Employee Benefit Plans

Coronavirus Related Plan Distributions

The CARES Act provides rules for the optional provision of special coronavirus-related distributions from eligible retirement plans and IRAs that do not exceed \$100,000 for any taxable year. Under the Act, the distribution would not be subject to the 10% penalty on distributions to individuals who have not yet reached age 59-1/2. Additionally, the mandatory 20% withholding tax on these distributions would not apply. The following rules apply to these special distributions:

- Individuals who are eligible for this distribution must be participants (or their spouse or dependents) who are diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control (CDC) or who experiences adverse financial circumstances as a result of being quarantined, laid off, furloughed or who suffer reduced working hours, or who are unable to work because of the lack of child care.
- A plan can rely on a participant's certification of their eligibility for the distribution.
- Amounts distributed can later be repaid to a qualified plan, or an IRA provided it is an account to which a rollover contribution could be made.
- The repayment of the distribution can be made at any time over the three-year period that begins on the date the distribution was received.
- The distribution can be spread out for tax purposes ratably over the three taxable years beginning with the taxable year of the distribution to the extent that the distribution is not repaid.
- These distributions will be treated as satisfying the requirements for hardship distributions from a 401(k) plan.

Plan Loans

The CARES Act increases the maximum dollar amount available for loans from tax-qualified plans from \$50,000 to \$100,000, and increases the maximum percentage limit for loans from 50% of the

present value of a participant's benefit to 100% of the present value of a participant's benefit under the plan.

The new due date for any plan loan with a current due date beginning on the date of the enactment of the CARES Act (presumably the date it is signed into law) and ending on December 31, 2020 will be extended for one year, or if later, until the date that is 180 days after the date of the Act's enactment. For this purpose, the 5-year limit on plan loan repayments is disregarded.

Required Minimum Distributions

The CARES Act provides a one-year delay in required minimum distributions (RMDs) from 401(a), 403(b), 457 plans, as well as from IRAs. At this point, it does not appear that the delay will apply to defined benefit pension plans. This delay applies to RMDs due April 1, 2020, as well as to 2020 RMDs. In addition, the Act permits amounts subject to the RMD rules in 2020 to be rolled over.

Minimum Funding Contributions

Minimum funding contributions for tax-qualified plans, including quarterly contributions, may be delayed until January 1, 2021 under the CARES Act. However, interest will accrue for the period between the contribution's original due date and the payment date, at the plan's effective rate of interest for the plan year in which the payment is made.

Funding Status

The CARES Act also permits a plan sponsor to elect to treat the plan's 2019 adjusted funding target attainment percentage (AFTAP) (which may subject the plan to certain benefit restrictions if the AFTAP is below 80%) as the AFTAP for the 2020 plan year.

Certain filing dates

The CARES Act allows the Secretary of the Department of Labor to postpone certain filing deadlines for up to one year. The prerequisite is that the Secretary of the Department of Health and Human Services must declare a "public health emergency," which was already done on January 31, 2020.

Effective date

The revisions and expansions made by the CARES Act, as described above, apply for calendar years beginning after December 31, 2019. Plans would need to be amended to reflect these new rules by the last day of the plan year beginning on or after January 1, 2022. For calendar year plans, the due date is December 31, 2022. For governmental plans, the due date is the last day of the plan year beginning on or after January 1, 2024.