

Understanding the CARES Act and Related Coronavirus Relief

Virtually every part of the U.S. economy is now grappling with unexpected financial challenges related to the coronavirus (COVID-19) pandemic. In response, Congress has passed the largest relief package in our nation's history: ***the Coronavirus Aid, Relief, and Economic Security (CARES) Act.***

In this series, we'll highlight how the CARES Act affects employers, savers, and their beneficiaries.

Coronavirus-Related Distributions (CRDs)

This informational piece explains the rules associated with coronavirus-related distributions (CRDs).

Eligible plan types¹

The following plans are eligible to add this CRD distributable event.*

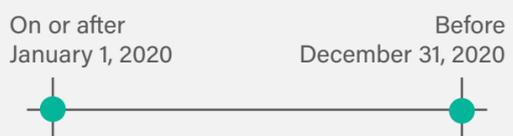
Profit sharing	403(b)
401(k)	457(b) plans maintained by governments
403(a) annuity	IRAs *IRAs do not need a distributable event.

Rules and timeline

Distribution limit:

Up to **\$100,000** in total from eligible plans may be withdrawn penalty-free²

Distributions must occur:



Distribution must be made by:

A qualified individual, defined as an individual who is diagnosed with the COVID-19 or SARS-CoV-2 virus (or whose spouse or dependent is diagnosed with the virus) in an approved test

OR

An individual who experiences (or whose spouse or a member of the individual's household experiences) related adverse financial consequences (see [Notice 2020-50](#) for additional information)



Impact on employers

- Employers can rely on individuals' certification that they meet the requirements
- Employers adding a CRD distributable event to their plan will need to amend their plan document by the end of their 2022 plan year to document this change.
- Employers are not required to offer the direct rollover option or provide the required [402\(f\) notice](#) that explains rollover options.

Tax and rollover treatment

10 percent optional withholding applies instead of mandatory 20 percent withholding.

Individuals may generally roll over CRDs to an eligible retirement plan (plan permitting) or to an IRA.

CRDs repaid within a **three-year period** are considered to have met the [60-day rollover requirement](#).

CRDs will be taxed over a three-year period unless the individual elects otherwise.



¹ Individuals who have other distributable events in eligible plans, defined benefit plans, and money purchase pension plans can still take advantage of these tax benefits, even if the employer hasn't authorized a CRD distributable event. (At the time of this writing, proposed legislation would allow money purchase pension plans to offer a CRD distributable event.)

² Individuals in eligible plans may distribute up to \$100,000 (in aggregate) from their vested account balance and treat the amount as a CRD.

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