CARES Act Provisions

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act" or "Act") was signed into law. The CARES Act includes provisions related to retirement plans that offer both financial relief and flexibility to plan participants. The UW Tax-Sheltered Annuity (TSA) 403(b) Program has adopted CARES Act provisions through the UW TSA Program providers. Contact your provider to begin the process. Please remember that taking a loan or distribution from your retirement account could have a long-term negative effect on your account.

Coronavirus Related Distributions

The CARES Act allows for distributions of up to $100,000 (aggregated across all plans and IRAs) for an individual who has a COVID-19 event, defined as a person:

- who is diagnosed with COVID-19;
- whose spouse or dependent is diagnosed with COVID-19;
- who experiences adverse financial consequences resulting from COVID-19, including being quarantined, furloughed, laid off, having work hours reduced, experiencing COVID-19-related child care issues that impede one's ability to work, or the closing or reduction of hours of a business owned or operated by an individual impacted by COVID-19.

Participants self-certify that they qualify for the distribution as an "affected individual." Distributions must be made before December 31, 2020. These distributions are not subject to early withdrawal penalties or mandatory withholding when taken.

The legislation permits participants to:

- Spread out the income taxes that would be due on the distribution ratably over 3-years
- Repay the amounts back into the retirement plan or IRA over next 3-year period if that plan accepts roll-in contributions (the repayments are not subject to retirement plan contribution limits). The repayment does not need to be made to the same plan or IRA from which the distribution was made.

Participant Loan Changes

The Act includes specific relief for participant loans from retirement accounts. A participant must have a COVID-19 related event (as noted above) to be eligible.

- Plan Loan Dollar Limits Increased. The Act temporarily increases the maximum amount available that participants can borrow from $50,000 to $100,000 (less any outstanding loan amounts) from their plan account balance. The Act also allows participants to borrow up to the lesser of $100,000 or 100 percent of their account balance (subject to provider requirements), rather than the 50 percent limit under current rules. These loan limit increases are in effect for 180 days following the signing of the bill into law (March 27, 2020). "

  The participant is still limited to only having two open loans across all providers at one time. If the participant already has two open loans, one loan must be paid off before applying for a new loan.
- Extension for Loan Due Dates. The Act provides a one-year extension for any loan payment due between March 27 and December 31, 2020. Remaining payments, plus applicable interest, can be re-amortized over the extended period.

Temporary Waiver of Required Minimum Distribution (RMD) Rules

- The CARES Act waives required minimum distributions (RMDs) for calendar year 2020 for defined contribution plans, including 401(k), 403(b), 457(b), as well as IRAs, allowing individuals to keep funds in their retirement plans. This includes payments to beneficiaries required under RMD rules. Participants who have already taken a 2020 RMD may now transfer the distribution amount back into the account within a 60-day rollover period of taking the withdrawal.
- The waiver applies to 2019 RMDs due by April 1, 2020 and for 2020 RMDs due by December 31, 2020.