Plan Sponsor Notice

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Additional Guidance for CARES Act Distributions, – Loans, RMD Relief and Safe Harbor Plans

In **Notice 2020-51**, the IRS issued new guidance for retirement plans under the CARES Act.

2020 Required Minimum Distributions.

The guidance provides relief for taxpayers who had already taken required minimum distributions (RMDs) in 2020 before the CARES Act suspended the RMD requirement for 2020.

Taxpayers who already took an RMD in 2020 from defined contribution plans, including 401(k) plans and IRA's now have the opportunity to roll those funds back into a retirement account. To give taxpayers time to take advantage of this opportunity, the 60-day rollover period for any RMDs already taken this year has been extended to Aug. 31, 2020. This repayment is also not subject to the one rollover per 12-month period limitation and the restriction on rollovers for inherited IRAs.

Taxpayers may roll over part or all RMD distributions taken between July 3, 2020 and December 31, 2020 within 60 days of receipt.

In addition, for a plan participant with a required beginning date of April 1, 2021, any distribution taken in 2021 will be applied first to satisfy the 2021 RMD. However, any distribution in excess of the 2021 RMD (the part of the RMD considered to be the 2020 RMD) can be rolled back into the plan or IRA.

Qualified Individual Eligibility Changes

The Definition of a "qualified individual" for distributions, new loans and loan deferrals has expanded. Now, among other changes, it takes into consideration the individual's adverse financial consequences based on the participant, spouse or other member of the household experiencing a job reduction or loss due to the coronavirus (COVID-19).

CARES Act Distributions.

- Employers/Plan Administrators can rely on an individual's certification that he or she satisfies the conditions to be a qualified individual in determining whether a distribution is a coronavirus-related distribution, unless the administrator has actual knowledge to the contrary.
- 402(f) Notice/Special Tax Notice is not required for a Coronavirus distribution.
- Plan Administrator not required to withhold 20% of the distribution which is generally required. Voluntary withholding is allowed.

WHATS INSIDE?

NEW CARES ACT RELIEF:

RMD's :
May be able to be rolled back into the plan within 60 days of receipt.

QUALIFEID INDIVIDUAL ELIGIBILITY
Definition expanded

DISTRIBUTIONS & LOANS
New relief on withholding and payback terms.

SAFE HARBOR PLAN RELIEF:
1) For Amendments adopted between March 13, 2020 and August 31, 2020

2) Participants must be notified of the reduction or suspension at least 30 days before it is effective

If you have any questions, please contact your Plan Consultant.

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CARES Act Loans.

- The notice creates a safe harbor for satisfying the suspension and repayment rules. Under the safe harbor, the rules will be satisfied if the individual's obligation to repay a loan is suspended under the plan for any period beginning March 27, 2020, and ending not later than December 31, 2020 (suspension period). Loan repayments must resume after the end of the suspension period, and the term of the loan maybe be extended for up to one year from the date the loan repayment was originally due.
- Interest accruing during the suspension period must be added to the principal of remaining the loan.

Relief for Safe Harbor Plans – IRS Notice 2020-52

IRS regulations generally require a plan's safe harbor provisions to remain in effect for an entire 12-month plan year. Generally, midyear amendments may be permitted if the employer is operating at an economic loss. IRS Notice 2020-52 provides that an Employer can reduce or suspend safe harbor matching or nonelective contributions for a plan year regardless of whether they operate at an economic loss as long as they meet the following requirements: 1) the amendment is adopted between March 13, 2020 and August 31, 2020 and 2) Participants are notified of the reduction or suspension at least 30 days before it is effective (for safe harbor matching) or if nonelective any time before August 31, 2020.

Contributions made on behalf of Highly Compensated Employees are not considered safe harbor contributions and can be reduced or suspended without regard to limits on amendments to safe harbor contributions.

Questions about this notice? Call us at 305-671-2200.