

RETIREMENT PROVISIONS FAQ

Courtesy of the Senate Finance Committee and the Office of Rep. Paul Mitchell (MI-10)

I need to withdraw money from my retirement account to cover expenses related to the health emergency. Am I eligible?

- Generally, if the account is in an eligible retirement plan, the plan may permit you to take a coronavirus-related distribution if:
 - You, your spouse, or dependent has been diagnosed with the coronavirus (i.e., SARS-CoV-2 or COVID-19),
 - You have experienced adverse financial consequences because you have been quarantined, furloughed, laid off, or have had work hours reduced due to the coronavirus,
 - You are unable to work because of a lack of child care due to the coronavirus,
 - You own or operate a business and have had to close or reduce hours due to the coronavirus, or
 - You have experienced an adverse financial consequence due to other factors as provided in guidance issued by the Internal Revenue Service.

Is there a cap on how much can I withdraw?

- Yes. During 2020, you may withdraw up to a total of \$100,000 in coronavirus-related distributions from accounts in eligible retirement plans.



What types of retirement accounts are covered by the special withdrawal rules?

- The special withdrawal rules apply to eligible retirement plans, which include individual retirement accounts and annuities (IRAs), qualified pension, profit-sharing, or stock bonus plans (including 401(k) plans), qualified 403(a) annuity plans, 403(b) annuity contracts and custodial accounts, and governmental section 457 deferred compensation plans.

Will I have to pay the 10-percent early withdrawal penalty if I take a coronavirus-related distribution?

- No. The 10-percent tax penalty that generally applies to early withdrawals from a retirement account if you are younger than 59½ does not apply to coronavirus-related distributions under the CARES Act.

When can I receive coronavirus-related distributions?

- Coronavirus distributions are available throughout 2020. The CARES Act retroactively waived the 10-percent early withdrawal tax penalty for coronavirus-related distributions made on or after January 1, 2020 and before December 31, 2020.

Do I have to pay tax on these distributions?

- Yes. However, the tax associated with the distributions may be paid ratably over three years, beginning with taxable year 2020.



Can I recontribute the withdrawn funds to my retirement account?

- Generally, yes. The CARES Act allows you to recontribute the funds you withdrew to an eligible retirement plan (to which you can make a rollover contribution) in one or more payments within three years. The recontributed amounts will not count toward the maximum contribution limit in the year that the funds are recontributed to a tax-deferred retirement account.

Are there any changes regarding loans from retirement plans?

- Yes. For loans taken from an eligible retirement plan within six months of enactment of the CARES Act, limits on loans from such retirement plans are doubled, from \$50,000 to \$100,000, and are capped at 100 percent of the vested account balance (rather than 50 percent) in the plan. Plans are not required to increase these limits, but the CARES Act provides the flexibility for plans to do so.
- In addition, for qualifying individuals who have an outstanding loan on or after March 27, 2020 (the date of enactment of the CARES Act) from an eligible retirement plan, any repayment of the loan due between March 27, 2020 and December 31, 2020 may be delayed for one year (with any subsequent repayments (and interest) adjusted to reflect such delay in repayment).



Am I required to take a required minimum distribution (RMD) from my retirement account this year?

- No. Provided that your account is an IRA, 401(k) plan, 403(b) plan or other defined contribution plan, all required minimum distributions for these plans have been waived for 2020.

I turned 70½ last year and am supposed to take my first RMD on April 1, 2020. Am I still required to take this distribution?

- No. All required minimum distributions for defined contribution plans have been waived for 2020, including your first RMD (provided that you had not already taken the distribution before January 1, 2020).

Where can I get more information on the retirement-related provisions in the CARES Act?

- The IRS is expected to provide guidance regarding the retirement-related provisions, which will be available on the IRS.gov website - see Coronavirus Tax Relief.

Individuals should consult the IRS or a tax advisor to address questions related to their specific circumstances.

