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Torrillo & Associates

Benefit Plan Audit Specialists

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Benefit Plan Provisions of CARES Act



The Coronavirus Aid, Relief and Economic Security Act ([CARES ACT, H.R. 748](#)) has been signed into law. It provides

economic relief to individuals, businesses, hospitals and other entities. While plan sponsors should consider consulting ERISA counsel or their third-party administrators before making any plan decisions or changes, key benefit plan provisions include:

- **No 10% additional tax for coronavirus-related retirement plan distributions up to \$100,000.**
- **Standard plan loans can be made up to \$100,000. The 10 percent penalty is also waived on plan loans. Taxes on the distributions for loans can be paid over three years.**
- **RMD requirement waived for 2020.**
- **Contributions to single-employer DB plan delayed.**
- **Allows a plan to adopt these distribution (including RMDs) and loan provisions immediately and amend the plan document later.**
- **Permits the Department of Labor and the Employee Benefits Security Administration to delay filing requirements under the Employee Retirement Income Security Act.**

No 10% Additional Tax for [Coronavirus](#)-Related Retirement Plan Distributions up to \$100,000

The CARES Act provides that the 10% additional tax does not apply to any coronavirus related distribution up to \$100,000.

A coronavirus related distribution is any distribution made after January 1, 2020 and before December 31, 2020 from an eligible retirement Plan to a qualified individual. A qualified individual is any one

1. Who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention (CDC),
2. Whose spouse or dependent is diagnosed with such virus

or disease by such a test, or

3. Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

A Plan administrator may rely on an employee's certification that the employee satisfies the conditions of (3) above in determining whether any distribution is a coronavirus-related distribution.

Distribution Can be Contributed Back to Retirement Plan

Any individual who receives a coronavirus-related distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made.

Distribution Can be Included in Income over Three Years

In the case of any coronavirus-related distribution, unless the taxpayer elects not to, any amount required to be included in gross income for such tax year will be so included ratably over the 3-taxyear period beginning with such tax year.

Loans from Qualified Plans

Loan Dollar Limits Increased

The CARES Act provides flexibility for loans from certain retirement plans for coronavirus-related relief. Standard plan loans can be made up to \$100,000. The 10 percent penalty is also waived on plan loans. Taxes on the distributions for loans can be paid over three years. The loan limit increases

are in effect only for 180 days following the enactment of the CARES Act.

Loan Due Dates Extended

The CARES Act also provides a one-year extension for any loan payment due between the enactment of the CARES Act to December 31, 2020. Remaining payments plus applicable interest can be re-amortized over the extended period.

RMD Requirement Waived for 2020

A retirement plan or IRA owner is generally required to take minimum distributions (RMDs) annually once the owner reaches age 72.

2020 RMDs

The CARES Act provides that the RMD requirements do not apply for calendar year 2020.

2019 RMDs

For 2019 RMDs, if a participant turned 70 1/2 in 2019 and has a required beginning date of April 1, 2020:

- but did not yet take the distribution – then no distribution has to be taken in 2020 for the 2019 distribution year.
- if a distribution was taken in 2019, there is no relief.
- if a distribution was taken after December 31, 2019, it is subject to the waiver for 2020 and the rollover and re-contribution rules of the IRS.

Rollovers and Re-contributions of RMDs

If a “waivable” distribution was taken in 2020 (for either the 2019 or 2020 distribution year), it is not treated as an RMD and may be re-contributed or rolled over (many are expecting additional IRS guidance and clarification).

Contributions to Single-Employer DB Plans Delayed

Sponsors of single-employer defined benefit plans can delay scheduled minimum contributions for 2020 to January 1, 2021. Interest will be owed on the delayed contributions, which accrues at the effective rate of interest used for plan year 2020. The CARES Act also contains provisions which allow the plan sponsor to carry forward the previous (year ending before January 1, 2020) adjusted funding target attainment percentage (AFTAP) calculations through calendar year 2020 for the purposes of determining funding-based benefit restrictions.

Plan Amendments

The CARES Act allows plans to adopt these distribution (including RMDs) and loan provisions immediately, even if the current plan document does not allow for such distributions or loans. If adopted, the plan will need to be amended on or before the last day of the first plan year beginning on or after January 1, 2022, or a later date if determined by the Department of Treasury.

Permits the Department of Labor and the Employee Benefits Security Administration to Delay Filing Requirements under the Employee Retirement Income Security Act



The CARES Act gives the Department of Labor and the Employee Benefits Security Administration, wide authority to delay filing requirements under the Employee Retirement Income Security Act. Such latitude was previously only available in times of war or when the country is under attack from terrorists.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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