COVID-19 Fact Sheet #4

DODSON PARKER BEHM & CAPPARELLA PC

April 20, 2020

Our co-founder Harlan Dodson always says, "We only represent our friends. They may be strangers when they come to us, but they'll soon be our friends"

In uncertain times, it is more important than ever to prioritize friendship. That's why we're launching a series of practical informational sheets addressing current needs and preparing for the future.

Feel free to share this fact sheet. But be sure to contact a lawyer to receive legal advice.

EFFECTS OF THE PANDEMIC ON YOUR RETIREMENT ACCOUNT

This fact sheet covers recently-enacted federal legislation that affects your retirement accounts—such as IRAs, 401ks, 403(a)s, 403(b)s, and governmental 457(b) plans. Below is a summary of important changes. As always, please feel free to contact us with an questions.

CHANGES FOR ALL PARTICIPANTS — Required Minimum Distribution (RMD) Rules

All RMDs are waived for the calendar year 2020.

If you have already received a RMD for 2020, you may either roll it over into a qualified retirement account (including the account from which you made the distribution) and defer paying taxes. You must make this rollover within **sixty days** of your receipt of the RMD.

If you decide to take an RMD for 2020 instead of the waiver, the RMD is an eligible rollover distribution and subject to the mandatory 20% income tax withholding.

COVID-19-SPECIFIC RELIEF – "Qualified Individuals" Have Additional Options

If you are a "Qualified Individual," you may access additional funds from your retirement accounts through two options: procedure for COVID-19 Related Distributions or distribution or COVID-19 Loan Relief.

You are a Qualified Individual if you are a retirement participant who:

1. Is diagnosed with a coronavirus illness (COVID-19 or SARS-CoV-2) through a CDC-approved test;
2. Has a spouse or dependent diagnosed with a coronavirus illness; or
3. Experiences "adverse financial consequences" because:
   a. You were laid off, furloughed, quarantined, or had hours reduced as a result of the pandemic;
   b. You cannot work due to the unavailability of child care as a result of the pandemic; or
   c. Your own business has had to close or reduce hours as a result of the pandemic.

These withdrawals must be made by the end of 2020 and are limited to $100,000 per participant, whether in the form of a loan or distribution or both. These withdrawals can only be made if the retirement plan has been amended to allow these withdrawals. Your plan will likely ask you to certify that you meet the above conditions.

For more than 30 years, our firm has helped businesses solve today's problems and prepare for tomorrow's challenges. We're proud to be a Nashville tradition.

Dodson Parker Behm & Capparella PC
1310 6th Avenue North
Nashville, Tennessee 37208
615-254-2291
dodsonparker.com

Rules for COVID-19-related Distributions

Before you take a distribution, it is important to know that distributions have different tax treatment that found under ordinary rules.

(1) **The distribution is not subject to the 10% early withdrawal penalty** that is generally applicable when you withdraw from the account at age 59 ½ younger.

(2) **The distribution is taxable if it is not repaid, but you have three years from the day after you receive the distribution to repay**. The payback is treated as a rollover, so the annual plan contribution limits do not apply. Additionally, you avoid the mandatory 20% income tax withholding on the distribution, if it is timely repaid.

(3) If you do not repay the distribution, you can choose to include the distribution in your 2020 taxable year, or have the distribution taxed over a period of three years (i.e., over years 2020, 2021, and 2022).

Rules for COVID-19-related Loans

Qualified Individuals can borrow the lesser of $100,000 or 100% of your retirement account balance, instead of the loan limitation of the lesser of $50,000 or 50% of your retirement account balance. This increase expires September 23, 2020 (i.e., 180 days after the enactment of the CARES Act, or March 27, 2020).

If you have an outstanding or new loan for which payments are due between March 27, 2020 and December 31, 2020 and are a Qualified Individual, then each payment due during such time period is extended for **one year**. The loan repayments, including interest, are to be re-amortized to reflect this one-year extension.

Notes for Plan Sponsors

Electing Withdrawal Expansions
Plan sponsors can adopt plan amendments allowing the withdrawal expansions as late as the end of the plan year beginning on or after January 1, 2022, or January 1, 2024 for governmental plans. The rules allow you to rely on the certification of your participant with respect to eligibility, but, as always, you should ensure careful record-keeping.

Minimum Required Contributions for Single-Employer Defined Benefit Plans
Any minimum required contribution for single-employer defined benefits plans that is due in the calendar year of 2020 can be postponed until January 1, 2021. Interest will be included in the minimum required contribution and will accrue between the original due date and the postponed payment date.