

The C.A.R.E.S. Act — What you need to know.



On March 27, 2020, the C.A.R.E.S. Act (Coronavirus Aid, Relief and Economic Security Act) was signed into law. The new legislation is designed to pump more than \$2 trillion into the U.S. economy by providing support to American Workers and businesses. Included in the legislation are several provisions that impact employer-sponsored retirement plans. Below is a high level summary of these provisions.

Coronavirus Related Distributions

The law waives the 10% tax penalty on withdrawals up to \$100,000 from a retirement plan for an individual who:

- Is diagnosed with COVID-19;
- Whose spouse or dependent is diagnosed with COVID-19;
- Experiences adverse financial consequences as a result of
 - Being quarantined, furloughed, laid off, having hours reduced
 - Being unable to work due to lack of child care due to COVID-19,
 - Closing or reducing hours of a business owned or operated by an individual due to COVID-19.

Individuals will have the option to pay tax on the income from the distribution over a 3-year period, or repay that amount back to the plan – tax-free – over a 3-year period. Repayments are not subject to contribution limits.

Additional Provisions

Plan Loans. The law increases the amount a participant may borrow from his or her retirement account to the lesser of \$100,000 or 100% of the participant's vested balance. The Act also allows participants with outstanding loans to delay any loan payments due during the balance of 2020, for up to one year. To qualify, a participant must meet the same criteria as outlined under Coronavirus Related Distributions., above.

Required Minimum Distributions. The law includes a temporary suspension of the required minimum distributions (RMDs) for 2020.

What's Next

Several of the provisions will require changes to ADP's prototype plan and operations. ADP will have the Coronavirus Related Distribution changes available for participants starting on Tuesday, April 7, 2020. Stay tuned for more information on the timing for the other provisions included in the Act. The Act includes relief for plan amendments by generally giving plans until at least the end of the 2022 plan year (or later as Treasury provides) to adopt amendments. If you are on the ADP Prototype Plan we will provide you with this amendment for your records when required.

If you wish to opt out of the new Coronavirus Related Distribution option for your plan you will need to notify your ADP Client Services Team by Monday April 6, 2020.

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