Retirement Plan Provisions of the
Coronavirus Aid, Relief, and Economic Security Act (CARES)
$2.0 trillion
(enacted March 27, 2020)

Defined Contribution Plans

Early Distributions

Prior law: Individuals who receive early distributions from a retirement savings plan before age 59½ generally pay a 10-percent penalty, in addition to income taxes. 20 percent of the distribution is withheld for tax purposes, and the distribution is fully taxed within the year. The withdrawn amounts cannot be re-contributed.

CARES Act: Individuals can receive a coronavirus-related distribution without penalty of up to $100,000 for purposes related to the coronavirus until December 30, 2020.¹ In addition, the 20-percent income tax withholding provision does not apply, and the tax payments on these distributions can be spread over three years. Finally, individuals are allowed to recontribute the amount of the distribution to their retirement plan within three years.

Loans

Prior law: Individuals can borrow 50 percent of their account balance up to $50,000.

CARES Act: Individuals who would otherwise be eligible to make a coronavirus-related distribution can borrow 100 percent of their account balance up to $100,000 (within 180 days of the enactment of the Act). In addition, these individuals are generally allowed to delay repayment of outstanding plan loans by one year.

Required Minimum Distributions (RMDs)

Prior law: When individuals reach age 72 (formerly 70½), they must take RMDs from their tax-deferred defined contribution plans or IRAs. Failure to take an RMD triggers a 50-percent penalty.

CARES Act: The RMD requirement is suspended for 2020. Further, to the extent any distribution has been taken in 2020, that distribution is eligible for rollover.

Defined Benefit Plans

Prior law: Private sector companies that sponsor single-employer defined benefit pension plans are required to make specified funding contributions on a regular basis.

CARES Act: Companies are permitted to delay any contributions, including quarterly contributions, ordinarily due in 2020 until January 1, 2021.

¹ Purposes related to the virus include being diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention, having a spouse or dependent diagnosed with COVID-19 by such a test, or experiencing “adverse financial consequences” as a result of COVID-19.