STANLEY BENEFITS

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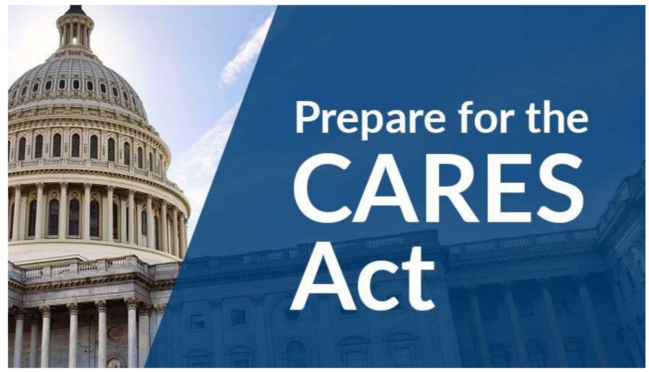
Who can Receive a COVID- Related Distribution or Loan

July 2020



On **June 19, 2020**, the **IRS** issued **Notice 2020-50**, which expands the guidance on COVID-related distributions and loans, and **Notice 2020-51**, which provides guidance on the 2020 required minimum distribution waiver.

Notice 2020-50

The CARES Act introduced COVID-related distributions, COVID-related loans, and COVID-related loan suspensions. These are all optional provisions that plan sponsors may offer to their retirement plan participants. Plan sponsors can decide whether or not to offer any of the options and the extent to which the options will be offered.

If your plan decides to offer any of these, the most important piece of guidance under Notice 2020-50 expands the definition of "Qualified Individual," who are the participants eligible for these options. The new definition includes:

1. A participant who was diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (referred to collectively as COVID-19) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act);

2. A participant whose spouse or dependent was diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or

3. A participant who has experienced adverse financial consequences because:

- The participant, the participant's spouse, or a member of the participant's household was quarantined, furloughed or laid off, or had work hours reduced due to COVID-19;

- The participant, the participant's spouse, or a member of the participant's household was unable to work due to lack of childcare due to COVID-19;

- A business owned or operated by the participant, the participant's spouse, or a member of the participant's household closed or reduced hours due to COVID-19; or

- The participant, the participant's spouse, or a member of the participant's household had a reduction in pay (or self-employment income) due to COVID-19, or had a job offer rescinded or start date for a job delayed due to COVID-19.

*A member of your household includes anyone who shares your principal residence.

Notice 2020-50 allows plan sponsors to rely on a participant's certifications that s/he is a Qualified Individual, unless the plan sponsor already has knowledge to the contrary. However, the plan sponsor has no obligation to inquire further.

Notice 2020-50 also includes information on tax withholdings and reporting for COVID-related distributions and COVID-related loans, and information on how loans can be re-amortized after a COVID-related loan suspension.

Finally, **Notice 2020-50** verifies that if a participant is a Qualified Individual and is entitled to request a non-COVID-related distribution from a retirement plan, the participant may treat the distribution as if it were COVID-related for tax and re-contribution purposes. The Notice explains the options for how and when the individual should report the distribution and any re-contributions on his/her tax return.

Notice 2020-51

The CARES Act required that defined contribution plans waive any required minimum distributions (RMDs) due in 2020 (including those for participant who attained age 70½ or retired after age 70½ in 2019, and those to death beneficiaries).

Normally, RMDs are not eligible for rollover. However, **Notice 2020-51** confirms that a plan sponsor can allow participants the option to receive the RMD amount as a non-RMD distribution, which will be eligible for rollover.

Generally, participants have 60 days after receiving an rollover-eligible distribution to transfer the funds into an IRA or another retirement plan to avoid income taxes.

Under **Notice 2020-51**, a participant now has until **August 31, 2020** to roll over any distribution that represents the RMD or includes an amount that would have been the RMD. This includes all 2020 RMDs, even those made in 2020 before the CARES Act and those for 2020, but not due until April 1, 2021. The amount can be rolled over to an IRA, or into the original plan or another retirement plan that accepts rollovers. If the rollover is made to an IRA, it is not counted for the one rollover per year rule.

If you have questions or need additional details,

please contact your Defined Contributions Analyst
at 336.271.4450 or recordkeeping@stanleybenefits.com

OUR MISSION

We will make every interaction a positive experience

Sincerely,
The Team at Stanley Benefit Services, Inc.

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HSA, FSA, COBRA and 401(k) Services!

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