

Note: This document briefly summarizes provisions in the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”) that could possibly be of interest to church plans, ministries and plan members. This summary reflects those CARES Act provisions as they are currently understood on April 8, 2020, without any agency guidance. As guidance is issued that may be applicable, we plan to provide information to you on that guidance or to refer you to that guidance, but may not be able to update the summary with that information. This summary is for general information only. It is not a complete analysis and should not be relied upon as legal advice.



Retirement Plan Changes

Quick Summary (read below for details)

- Qualified individuals can request an early distribution from a 403(b) and other types of retirement plans
- There is no early distribution penalty for coronavirus-related distributions
- Loan limits from a 403(b) and other types of retirement plans have been increased

Coronavirus-Related Distribution

The CARES Act adds a new category of in-service distribution, referred to as a “coronavirus-related distribution,” available to qualified individuals regardless of whether the distribution would otherwise be permitted. A coronavirus-related distribution is a distribution of up to \$100,000 for a taxable year made from a 401(a) plan, 403(b) plan, governmental 457(b) plan, or IRA on or after January 1, 2020, and before December 31, 2020, to a “qualified individual.” A qualified individual is an individual who:

- is diagnosed with Coronavirus Disease 2019 (“COVID-19”) by a test approved by the Centers for Disease Control and Prevention (“CDC”), or
- has a spouse or dependent diagnosed with COVID-19 by a test approved by the CDC, or
- experiences adverse financial consequences as a result of (i) being quarantined, furloughed or laid off or having work hours reduced due to COVID-19, (ii) being unable to work due to lack of child care due to COVID-19, (iii) being unable to work due to closing or reducing hours of a business owned or operated by the individual due to COVID-19, or (iv) other factors as determined by the Secretary of the Treasury.

Importantly, the plan administrator may rely on an employee’s certification that one of the above conditions is satisfied in determining whether a distribution is a coronavirus-related distribution. An employer is responsible for complying with the \$100,000 distribution limit only with respect to the retirement plans it and any employer in its controlled group maintains.

Additionally, the 10% early distribution penalty tax does not apply.

Unless a participant elects otherwise, a coronavirus-related distribution will be included in the participant’s gross income ratably over three tax years beginning with the year of distribution. A participant who receives a coronavirus-related distribution may repay the distribution in one or more contributions to any eligible retirement plan to which a rollover contribution can be made within three years of the distribution. The repayment will be treated for tax purposes as a direct rollover (or, if made to an IRA, as a trustee-to-trustee transfer) made within 60 days of distribution.

This new distribution category appears to be optional, although the 10% early distribution tax would not apply to a distribution that qualified under another distributable event (such as severance from employment) and also met the coronavirus-related distribution definition. Concordia Plans has decided to amend the Concordia Retirement Savings Plan to allow for these distributions.

Loan Rule Changes

The CARES Act increases the loan limits for any loan made from a 401(a), 403(b) or governmental 457(b) plan to a qualified individual during the 180-day period beginning on March 27, 2020. The CARES Act increases the maximum loan amount to \$100,000 (currently \$50,000), and permits loans up to 100% (currently 50%) of the present value of the participant's account.

The CARES Act also extends the due date for a qualified individual with an outstanding loan (on or after March 27, 2020) under a retirement plan. If the due date for any loan repayment occurs during the period from March 27, 2020 through December 31, 2020, the due date for the repayment is delayed one year. Any subsequent repayments of the loan are required to be adjusted to reflect both the delayed due date and any interest accruing during such delay, and the delay is disregarded for purposes of determining compliance with the five-year term limit.

Only "qualified individuals" are eligible for this loan relief. The term qualified individual has the same meaning as described above for a coronavirus-related distribution. However, unlike with respect to the coronavirus-related distributions, there is no provision in the loan rule changes that allow the plan administrator to rely on an employee's certification that he or she is a "qualified individual."

The loan rule changes that temporarily increase the amount of available loans appear to be optional. Concordia Plans has decided to amend the Concordia Retirement Savings Plan to allow for the increased loans and extend the repayment date of outstanding loans. However, the loan rule that extends the repayment date of an outstanding loan may be required.

Required Minimum Distribution Waiver

Effective January 1, 2020, the CARES Act waives required minimum distributions ("RMDs") for defined contribution 401(a) plans, 403(b) plans, governmental 457(b) plans, and IRAs for calendar year 2020. The waiver applies to RMDs required to be made in 2020 and to 2019 RMDs that are required to be made by April 1, 2020 (if not already made in 2019). For purposes of determining RMDs after 2020, an individual's required beginning date is determined without regard to this 2020 waiver.

In addition, the five-year distribution period that applies to certain beneficiaries will be determined without regard to calendar year 2020.

If an eligible rollover distribution paid in 2020 would have been an RMD for 2020 but for the waiver, the distribution is not subject to the direct rollover rules, 20% mandatory withholding requirement, or the 402(f) notice.