

The CARES Act



The Coronavirus Aid, Relief and Economic Security (CARES) Act is the third round of federal government support in response to the coronavirus crisis and associated economic fallout.

In addition to economic assistance for both individuals and businesses, the CARES Act provides further relief to sponsors and participants of retirement plans who are adversely affected by COVID-19.

Provisions Impacting Retirement Plans

- **Waives the 10% early distribution penalty on coronavirus-related distributions of up to \$100,000.**
- **Increases plan loan limits to \$100,000 or 100% of a participant's vested account balance for coronavirus-related loans** and extends repayment periods up to one year for both new and existing loans.
- **Allows COVID-19 affected individuals to self-certify.**
- **These provisions are optional** and may be used immediately as long as a plan amendment is adopted before the end of the 2022 plan year (for governmental plans, the 2024 plan year).
- **Temporarily waives Required Minimum Distributions (RMDs)** for calendar year 2020 for defined contribution plans, including 401(k), 403(b), 457(b) and IRA plans, allowing individuals to keep funds in their retirement plans.
- **Provides funding flexibility for single employer defined benefit plans** by delaying the due date for any contributions otherwise due during 2020 until January 1, 2021. This also applies to the Pentegra Defined Benefit Plan for Financial Institutions, as the plan follows single employer plan funding rules.
- **Allows single employer defined benefit plans whose funded ratio falls below 80%** as a result of market declines during the COVID-19 crisis to avoid benefit restrictions by electing to apply the plan's 2019 funded ratio to 2020. This also applies to the Pentegra Defined Benefit Plan for Financial Institutions, as the plan follows single employer plan funding rules.
- **Expands the Department of Labor's authority to postpone certain deadlines** under ERISA.

Provisions Impacting Businesses

- **Provides small business interruption loans**, to assist small businesses (fewer than 500 employees) impacted to make payroll and cover other expenses.
- **Delays quarterly corporate tax payments** until 10/15/2020.
- **Delays Social Security payroll tax payments until January 1, 2021**. The Social Security Trust Fund will be back-filled by general revenue in the interim period.
- **Allows carry-back operating losses** from 2018, 2019, or 2020 for 5 years.
- **Expands the net interest deduction limitation to 50% of EBITDA** (earnings before interest, tax, depreciation, and amortization) for 2019 and 2020.
- **Temporarily unwinds two Tax Cuts and Jobs Act (TCJA) provisions**, the corporate alternative minimum tax and deducting interest on loans.
- **Guarantees emergency relief to businesses** including airlines and other distressed industries through loans and loan guarantees.

Provisions Impacting Individuals

- **Provides direct payments to individuals and families**, authorizing direct payments to individual taxpayers
- **Extends the income tax filing deadline from April 15, 2020 to July 15, 2020.**