

# The CARES Act



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

The CARES Act provides further support to both individuals and businesses, including changes to retirement plan distribution and tax policy for individuals impacted by or who experience financial consequences as a result of COVID-19.

## Provisions Impacting Retirement Plans

- **Expands the definition of hardship withdrawals from retirement plans**, allowing for withdrawals of up to \$100,000 and waiving the 10% penalty on hardship withdrawals.
- **Increases plan loan limits to \$100,000 or 100% of a participant's vested account balance** and extends repayment periods 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 2020.
- **Temporarily Waives Required Minimum Distribution Rules (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 Relief for Single Employer Defined Benefit Plans** by giving employers more time to meet their funding obligations by delaying the due date for any contribution otherwise due during 2020 until January 1, 2021.
- **Expands the Department of Labor's Authority to Postpone Certain Deadlines** under ERISA, increasing the circumstances to go beyond a terroristic or military action to also include a public health emergencies.
- **Temporarily permits the use of the Exchange Stabilization Fund** to guarantee money market mutual funds.

## Provisions Impacting Businesses

- Provides **\$300B in 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 \$208 billion in 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 two rounds of direct payments to individual taxpayers on April 16, 2020 and May 18, 2020.
- **Extends the income tax filing deadline from April 15, 2020 to July 15, 2020**.