BREAKING NEWS: IRS Extends COVID-19 Relief, Safe Harbors

BY JOHN IEKEL | JUNE 19, 2020

PRACTICE MANAGEMENT

The IRS has announced that it is extending relief to plan participants whose spouses are laid off and that take COVID-related distributions or loans from their retirement accounts, as well as new safe harbors for loan repayments.

In **Notice 2020-50, issued on June 19**, the IRS expands the categories of individuals eligible for these types of distributions and loans and provides guidance and examples regarding how qualified individuals will reflect the tax treatment of these distributions and loans on their federal income tax filings.

The IRS issued the Notice 2020-50 to help retirement plan participants affected by COVID-19 take advantage of the **CARES Act** provisions providing enhanced access to plan distributions and plan loans. More specifically, the notice provides guidance relating to the application of section 2202 of the CARES Act for qualified individuals and eligible retirement plans.

The guidance reflects comments the American Retirement Association (ARA) has made to the IRS concerning application and implementation of the CARES Act.

Notice 2020-50 expands the definition "qualified individual" to take into account additional factors such as:

- reductions in pay;
- rescissions of job offers;
- an individual's delayed start date; and

- adverse financial consequences to an individual arising from the impact of the COVID-19 coronavirus on a individual's spouse or household member.

Under Notice 2020-50, a qualified individual is anyone who:

- is diagnosed with the virus SARS-CoV-2 or the Coronavirus disease 2019 (collectively, 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
- whose spouse or dependent is diagnosed with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, 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
- experiences adverse financial consequences because the individual, the individual's spouse or a member of the individual's household experienced the following due to COVID-19:
    - being quarantined;
    - being furloughed;
    - being laid off;
    - having work hours reduced;
    - being unable to work due to lack of childcare;
    - closing or reducing hours of a business that they own or operate;
    - reduced pay or self-employment income; or
    - having a job offer rescinded or start date for a job delayed.

Notice 2020-50 clarifies that:

- employers can choose whether to implement these coronavirus-related distribution and loan rules;
- qualified individuals can claim the tax benefits of coronavirus-related distribution rules even if plan provisions aren't changed; and
- administrators can rely on an individual's certification that the individual is a qualified individual (and provides a sample certification).

Notice 2020-50 also notes that an individual must actually be a qualified individual in order to obtain favorable tax treatment. And it provides employers a safe harbor procedure for implementing the suspension of loan repayments otherwise due through the end of 2020, but notes that there may be other reasonable ways to administer these rules.

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This is a good warning to those who are unaware. It might help to add context, such as adding a...

FAQ link added. Thanks, Debra!

Could you please include a link to the DOL FAQ? Thank you for the very timely information!

VERY timely post Nevin. This is a message that all Retirement Plan Advisors, TPAs, and...

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