

# Single Employer Benefits & Pension Alert

FEDERAL DISASTER RELIEF PROVISIONS - FOLLOW UP REMINDER | MAY 2020

## BACKGROUND

As explained in our [February Client Alert about the SECURE Act](#), the Further Consolidated Appropriations Act, 2020 (the "Act") contains temporary disaster relief provisions with respect to major disasters (as declared under Federal law by the President) occurring between January 1, 2018, and February 18, 2020.

As a follow-up to our [February Client Alert](#), please note the following deadlines that pertain to these Federal disaster relief provisions:

- Any qualified disaster distributions must be taken no later than June 17, 2020. These distributions of up to \$100,000 are (i) exempt from the 10% premature distribution tax, (ii) may be repaid within 3 years into a qualified plan or IRA, and (iii) may be included in an individual's income and spread ratably over the 3-year period beginning with the year of the distribution.
- Until June 17, 2020, the maximum amount a participant, who is living in a qualified disaster area and suffered an economic loss due to the disaster, may take in the form of a plan loan, is increased from \$50,000 to \$100,000. Individuals who qualify for this increased plan loan maximum, may, through June 17, 2020, take a plan loan not to exceed (i) \$100,000 (reduced by the excess of (a) the participant's highest outstanding balance of loans for the plan during the one-year period ending on the day before the loan is made, over

(b) the participant's outstanding balance of the loans for the plan on the date the loan is made); or (ii) the greater of the present value of the nonforfeitable accrued benefit of the participant under the plan, or \$10,000.

- The due date of a qualified individual's loan repayment that would otherwise be due during the period beginning on the date of the disaster and ending 180 days after the last day of the disaster is extended for one year, or, if later, until June 17, 2020.

As you are probably aware, the recently enacted Coronavirus, Aid, Relief, and Economic Security Act (the "CARES Act") includes provisions allowing qualified individuals to request distributions, the taxation of which may be spread over three years, and providing increased plan loan limits. We recently sent out a Client Alert describing certain provisions of the CARES Act, and we intend to provide a follow-up alert pertaining to new developments involving the CARES Act.

The application of certain provisions discussed

above is contingent upon the adoption of plan amendments before the last day of the first plan year beginning on or after January 1, 2020 (January 1, 2022, for governmental plans). If qualified disaster distributions are made in the operation of your plan, please contact us so that we may assist you with the necessary plan amendment.

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