

Electronic Alert

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**Who Cares About the CARES Act?
Hint: The Answer Just Might Be You.**

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As plan sponsors start to focus in on year-end employee benefit plan management, it is important to take a moment to focus in on the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the effect its provisions may have on their employee benefit plans.

Retirement Plans

The CARES Act includes several notable provisions regarding qualified retirement plans. Plan sponsors who wish to offer any of the options below, may operate their plan in accordance with these provisions now, but no plan amendment is required until the end of the plan sponsor's first plan year beginning on or after January 1, 2022 (2024 for governmental plans).

1. Suspend Required Minimum Distributions in 2020

The CARES Act offers the option to suspend all required minimum distributions that would have otherwise been required in 2020.

2. Coronavirus-Related Distributions

The CARES Act allows eligible employees to request a penalty-free distribution from their plan account. The distribution may total the lesser of \$100,000 or 100% of a participant's account in the plan.

Employees are eligible to take a Coronavirus-related distribution if they are a Qualified Individual. A Qualified Individual is a person:

- Who is diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention;
- Whose spouse or dependent (as defined in section 152 of the Internal Revenue Code) is diagnosed with such virus or disease by such a test; or
- Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a

business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

Coronavirus-related distributions are taxed as income. However, they are not subject to an early distribution penalty, or the usual 20% withholding. If the plan sponsor chooses to allow repayment, a participant who takes a distribution may pay it back into the plan within three years of the distribution. Unless the participant chooses to pay the income tax earlier, they are taxed ratably during the three-year period following distribution.

3. Suspend Repayment for Outstanding Plan Loans in 2020

The CARES Act allows a qualified plan that offers loans to suspend plan loan repayment during 2020 for individuals who meet the definition of Qualified Individual above.

NOTE: The CARES Act also included an option for plan participants to take out an expanded loan. However, such relief expired in September.

Health Plans

1. Reimbursable Expenses

The CARES Act expanded the categories of expenses eligible for reimbursement as medical care through a health savings account (HSA), archer MSA, health reimbursement account (HRA), or a flexible spending account (FSA) by removing the prescription requirement for over-the-counter drugs. Menstrual products were also added to the list of reimbursable expenses. A plan amendment will generally be required to allow for these reimbursements.

2. Increased Access to Telehealth for Participants in High Deductible Health Plans

Prior to the CARES Act, telehealth services were included in the costs that would not be covered by a high deductible health plan until the participant had met their deductible.

The CARES Act increases access for telemedicine by allowing high deductible health plans to have no deductible for telehealth and other remote services for plan years beginning on or before December 1, 2021. During this period, plan participants can receive telehealth services through the plan without first meeting their deductible.

For more on the CARES Act, please join us for our 2020 virtual Annual Seminar. More information and registration can be found [here](#).

If you have questions about the CARES Act or other questions related to employee benefits, please contact Jeff Robertson, Iris Tilley, or Gabrielle Hansen at 503-228-0500 (or via email at jrobertson@barran.com, itilley@barran.com, ghansen@barran.com).