



IRS Details CARES Act Provisions

In March, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included several provisions designed to help retirement savers cope with the financial fallout from the COVID-19 pandemic, was signed into law. Among these temporary measures were special rules for required minimum distributions (RMDs), coronavirus-related distributions, and retirement plan loans. In late June, the Internal Revenue Service released Notices 2020-50 and 2020-51, which clarify many of the details for both retirement plan participants and sponsors. Following are some important details covered in each notice.

IRS Notice 2020-50

The IRS has announced a new safe harbor for loan repayments and extended relief for plan participants whose spouses are laid off and have also taken COVID-19-related distributions or loans from their retirement accounts.

The IRS issued Notice 2020-50 on June 19, 2020, to help retirement plan participants affected by COVID-19 take advantage of the CARES Act, provisions providing enhanced access to plan distributions and loans.

Notice 2020-50 expands the definition of qualified individuals to consider additional factors:

- reductions in pay
- rescission of job offers
- an individual's delayed start date



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

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

- is diagnosed with COVID-19; or
- whose spouse or dependent is diagnosed with COVID-19; 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
 - having a job offer rescinded or start date for a job delayed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 are not changed.
- Administrators can rely on an individual's certification that the individual is a qualified individual (and provides a sample certification).

Notice 2020-50 indicates that a person must be deemed a qualified individual to obtain favorable tax treatment and provides employers a safe harbor procedure for implementing the suspension of loan repayments otherwise due through the end of 2020.

IRS Notice 2020-51

Another provision of the CARES Act waives the RMD rules for certain defined contribution plans and individual retirement accounts (IRAs) for calendar year 2020. The waiver applies to both 2019 RMDs required to be taken by April 1, 2020 and RMDs required for 2020. It applies for calendar years beginning after December 31, 2019.

Because these distributions are no longer required, individuals who have already taken RMDs are permitted to roll those funds over into an eligible retirement account to avoid a taxable distribution this year.



IRS Notice 2020-51 was issued on June 23, to provide additional relief and clarification about RMDs. The notice extended the eligible rollover period to the later of 60 days after receipt or August 31, 2020, for all distributions that, except for the CARES Act, would have been RMDs (even if the distribution normally would be treated as part of a series of substantially equal periodic payments). In addition, an IRA owner or beneficiary is also exempt from the one rollover per 12-month limit on IRAs.

This notice also provides a sample plan amendment that, if adopted, would provide participants a choice whether to receive waived RMDs and certain related payments.

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