



# IRS releases FAQs on CARES Act distributions and loans

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New IRS [FAQs](#) address the retirement plan distribution and loan provisions in the Coronavirus Aid, Relief and Economic Security (CARES) Act ([Pub. L. No. 116-136](#)). This informal guidance answers several pressing employee and employer questions about the relief, including:

- **All relief is optional.** Plan sponsors can choose whether and to what extent to offer the CARES Act's coronavirus-related distributions, increased plan loan cap and suspension of loan repayments. (Although employers and practitioners generally have agreed that the coronavirus-related distributions and increased loan cap are optional, the statute appeared to suggest employers had to offer the loan-repayment suspension.) In addition, plans don't have to accept repayments of coronavirus-related distributions, although IRS anticipates that most plans that already accept rollovers will accept these repayments.
- **Special tax treatment for distributions.** Even if a plan doesn't offer in-service coronavirus-related distributions, qualified individuals can still take advantage of the special tax treatment — i.e., no 10% early distribution tax and ratable income taxation over three years. However, employers not offering these distributions don't have to change their withholding procedures for employees electing the special tax treatment. Qualified individuals will report the distributions as coronavirus-related on their federal income tax returns.
- **Reliance on self-certification.** A plan administrator can rely on a participant's self-certification of eligibility for a coronavirus-related distribution or loan relief. A plan won't be penalized for extending the relief to an ineligible participant who provides the self-certification, unless the plan administrator had actual knowledge that the participant was ineligible.

IRS plans to release formal guidance on the CARES Act's distribution and loan provisions in the near future. The agency expects to model the guidance on [Notice 2005-92](#), which addressed essentially identical relief provided under the Katrina Emergency Tax Relief Act (KETRA) of 2005 ([Pub. L. No. 109-73](#)).

## Related resources

### Non-Mercer resources

- [Coronavirus-related relief for retirement plans and IRAs Q&As](#) (IRS, May 4, 2020)
- [Pub. L. No. 116-136, Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) (Congress, March 27, 2020)
- [Notice 2005-92](#) (IRS, Nov. 30, 2005)
- [Pub. L. No. 109-73, Katrina Emergency Tax Relief \(KETRA\) Act](#) (Congress, Sept. 23, 2005)

### Mercer Law & Policy resources

- [Keeping track of COVID-19 laws affecting employee benefits, jobs](#) (May 4, 2020)
- [Delving into CARES Act relief for retirement plan participants](#) (April 10, 2020)
- [Stimulus bill gives DB funding relief, access to DC savings](#) (March 26, 2020)

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