



## Cares Act Distributions Income tax overview

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides special tax treatment for up to \$100,000 in distributions from all 401(a), 401(k), 403(a), 403(b), and governmental 457(b) plans and individual retirement accounts (IRAs) made to qualified individuals on and after January 1, 2020, and before December 31, 2020. This summary provides a general overview of the key aspects of "CARES Act Distributions." Please note that CARES Act Distributions are not required to be made available under a plan and are subject to plan rules. This information is intended to be educational. Fidelity does not provide legal or tax advice and we recommend that you consult with your tax advisor about the impact of the CARES Act on your individual situation.

### **Eligibility: Qualified Individuals**

On June 19, 2020, the IRS updated the definition of a "qualified individual" who can obtain special federal income tax benefits for CARES Act Distributions. You are a qualified individual if:

1. You, your spouse, or your dependent (as defined in Internal Revenue Code section 152) is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (both referred to as "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
2. You have experienced adverse financial consequences because:
  - a. you, your spouse, or a member of your household was quarantined, furloughed or laid off, or had work hours reduced due to COVID-19;
  - b. you, your spouse, or a member of your household was unable to work due to lack of childcare due to COVID-19;
  - c. a business owned or operated by you, your spouse, or a member of your household closed or reduced hours due to COVID-19; or
  - d. you, your spouse, or a member of your household had a reduction in pay (or self-employment income) due to COVID-19 or had a job offer rescinded or start date for a job delayed due to COVID-19.

Note: A "member of your household" is someone who shares your principal residence.

The administrator of your retirement plan may rely on your certification (unless they have knowledge to the contrary) that you satisfy one or more of the above conditions to be a qualified individual. You can be a qualified individual if you are the beneficiary of a deceased participant. A distribution that you receive from an eligible retirement plan may qualify as a CARES Act Distribution even if the plan does not offer them.

## Federal Income Tax Benefits

**Income Taxes.** If you are a qualified individual, the taxable portion of a distribution that qualifies as a CARES Act Distribution may be spread evenly over a three-year period starting with 2020 on your federal income tax return, unless you elect to have it all taxed in 2020. The amount of a CARES Act Distribution attributable to after-tax and/or Roth contributions, if one or both are allowed in your plan, will not be subject to income tax since those amounts have already been taxed. However, earnings on after-tax contributions will be subject to income tax. In addition, earnings on your Roth contributions will be taxable unless you are at least age 59½ and you had a designated Roth account in the plan for at least five calendar years, starting with the year that you made your first Roth contribution.

**Early Withdrawal Penalty.** The 10% early withdrawal penalty will not apply to the taxable portion of a distribution that qualifies as a CARES Act Distribution.

**IRS Form 8915-E.** You must use IRS Form 8915-E (Qualified 2020 Disaster Retirement Plan Distributions and Repayments) when you file your 2020 federal income tax return to claim the special tax benefits (spreading the income taxes over three years and no early withdrawal penalty) for any CARES Act Distributions. Please refer to the IRS website at IRS.gov for more information.

## Income Tax Withholding and Tax Reporting

**Income Tax Withholding.** The taxable portion of your CARES Act Distribution will be subject to 10% federal income tax withholding unless you elect no withholding or additional withholding. The amount of any withholding is not the actual amount of income tax that you may owe. If applicable, your distribution may also be subject to state income tax withholding. Any federal and state income tax withholding, if applicable, will be applied to reduce the amount of any federal and state income tax liability, if applicable, when you file your income tax return, or you may instead receive a refund depending on your situation.

**Tax Reporting.** Your CARES Act Distribution will be reported on IRS Form 1099-R (Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.) in January of 2021. IRS Form 1099-R will include information about the gross and taxable amount of your distribution and any applicable federal and state income tax withholding. The information on IRS Form 1099-R will also be reported to the IRS, and you will use that information to prepare your federal and (if applicable) state income tax returns to qualify for the income tax relief.

## Recontributions of Cares Act Distributions

**Recontributions.** You may retribute part or all of your CARES Act Distribution to your IRA or retirement plan, if it accepts rollover contributions. However, if you received your CARES Act Distribution as a beneficiary of a deceased plan participant (other than the participant's surviving spouse), you may retribute the amount only to your IRA. Reconributions must be made within the three-year period beginning on the day after the date you received your distribution.

**Income Tax Recovery.** You may be required to file an amended federal income tax return and IRS Form 8915-E to report the amount of your recontribution and potentially recover some or all of the income taxes that you originally paid with respect to your CARES Act Distribution. Tax laws are complicated. Please refer to the IRS website at IRS.gov, IRS Notice 2020-50 (Guidance for Coronavirus-Related Distributions and Loans from Retirement Plans Under the CARES Act), and/or consult with your tax advisor for further information about your specific situation.

This information is general in nature and should not be construed as tax advice.