Allianz Life Insurance Company of North America
Allianz Life Insurance Company of New York

Advanced Markets and Solutions

CARES Act and COVID-19

A summary of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and one IRS response to the coronavirus (COVID-19) emergency

The $2.2 trillion CARES Act, the largest and most expensive legislation signed in American history, provides much needed relief to businesses, workers, and hospitals throughout the nation.

Some of the major provisions that are included in the stimulus package are listed below.

TAXATION

Although not part of the CARES Act, the IRS has extended the deadline for filing Federal 2019 income tax returns and for making 2019 prior year IRA contributions from Wednesday, April 15, 2020 to **Wednesday, July 15, 2020.** This relief was announced recently and is in response to the coronavirus (COVID-19) emergency.

Additionally, the CARES Act provided that:

- Individuals will receive a onetime stimulus payment of $1,200 and married couples $2,400. Those with children under the age of 17 will get an extra $500 per child. These amounts are phased out starting at the following adjusted gross income levels:

Married, filing joint	$150,000
Head of Household	$112,000
All other filers	$75,000

- The adjusted gross income will be determined based on 2019 tax returns, or if 2019 returns have not been filed, 2018 tax returns. Some individuals who normally do not file tax returns may need to file one in order to receive this stimulus payment.

DISTRIBUTIONS

- The CARES Act eliminated required minimum distributions (RMDs) for all retirees in 2020. 2019 RMDs are also waived for those individuals turning age 70½ in 2019 who had until April 1, 2020 to take their RMD. This includes RMDs for inherited IRAs for those beneficiaries who were using a “stretch” option before 2020.
- RMDs already taken in 2020 may be eligible to be rolled back into an IRA within a 60-day window, but note that the “once per 12-month period” rule applies. Nonspouse beneficiaries who have already taken an RMD are unable to roll over funds back into an IRA.
- Qualifying “coronavirus-related distributions” will still be taxed as income, however, the CARES Act waives the 10% federal additional tax for premature distributions related to the coronavirus for amounts not to exceed $100,000 from all qualified plans and IRAs subject to the following rules:
    - A qualified plan may need to be amended to allow these types of distributions, but the distributions could be allowed operationally before the plan amendment, provided the plan is amended by a future date.

Continued next page

DISTRIBUTIONS CONTINUED

- Amounts distributed may be repaid at any time over the three-year period commencing on the date the distribution was received. There is no requirement that the repayment occur in one payment; repayments can be made over time.
- Amounts can be paid to a qualified plan or an IRA that is able to take contributions.
- The distribution provision applies to individuals who have been diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control (CDC); their spouse or dependent who has been diagnosed by such a test; or a person who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, or subject to reduced working hours, or who is unable to work due to lack of childcare. The CARES Act allows a plan to rely on a certification provided by the plan participant or IRA owner.
- To the extent that the amounts are not repaid, the income inclusion with respect to any coronavirus-related distribution can be included ratably over the three taxable years beginning with the taxable year in which the distribution was received.
- Distributions will be deemed to meet the permissible distribution requirements of section 401(k), which essentially means that they will satisfy the "triggering event" distribution provisions of the code. These distributions will be treated as exempt from the 20% mandatory tax withholding that might otherwise apply, but will still be subject to the withholding rules for distributions that are not eligible for rollover.

• Loans from qualified plans can be doubled to $100,000 or 100% of the plan balance for plan participants who meet the same requirements as those for coronavirus-related distributions. A qualified plan may need to be amended to allow these increased loan amounts, but the increases could be allowed operationally before the plan amendment, provided the plan is amended by a future date.

• For some qualifying plan participants, loan repayments – new or existing – that are due in 2020 can be delayed one year, and the repayment deadline can be extended by one year. Repayments after 2020 must be adjusted for the delay, including accrued interest.

• There are still no loan options available to IRAs.

MEDICARE

• Medicare beneficiaries will be eligible to receive the COVID-19 vaccine (when available) at no cost (or receive the vaccine in Medicare Part B with no cost-sharing).

• During the COVID-19 emergency period, Medicare Part D recipients must be given the ability to have, upon request, up to a 90-day supply of medication prescribed and filled.

• Telehealth services may be temporarily covered (through plan years beginning in 2020 by an HSA-eligible (health savings account) high-deductible health plan before a participant has met their deductible.

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