



NCRGEA Government Relations Update

NCRGEA Governmental Relations Update #20-20 July 31, 2020

Part 1 of 2—*this is the first of a two-part CARES Act government relations update*

Retirement Income and the CARES Act



There are normally stiff tax penalties for the early withdrawal of funds from a personal retirement account, but the CARES Act, passed by Congress in March in response to the COVID-19 pandemic, mitigates these penalties for people who need access to their funds due to the ongoing crisis.

Participants, both retired and still working, who have enrolled in North Carolina's 401(k) and/or 457 Supplemental Retirement Plans are eligible for what is known as a "coronavirus-related distribution (CRD) through Dec. 31, 2020. To qualify, the accountholder, their spouse, or a dependent must have been infected with the SARS-CoV-2 virus and suffered adverse financial consequences as a result of themselves or a family member being infected.

The CARES Act allows a qualifying accountholder to withdraw up to \$100,000 from these plans and waives the 10 percent federal tax penalty with withdrawing funds before the age of 59 1/2. Though the CRD must be reported as income over a three-year period, it will not be treated as personal income on a federal tax return as long as it is repaid within three years. State taxes will still apply, however.

Participants can complete the CRD process, including self-certification of eligibility, by going online at www.ncplans.prudential.com or by calling (866) 627-5267.

Stay Tuned!

Richard Rogers
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