Coronavirus-Related Distributions
Key Considerations for CRA Participants

The CARES (Coronavirus Aid, Relief and Economic Security) Act was signed into law on March 27, 2020. This legislation is aimed at providing financial relief for individuals and businesses that have been significantly impacted by the COVID-19 pandemic. Some of the key provisions included in the bill apply to distributions from CRA’s 401(a) and 457(b) plans.

Only “COVID-affected participants” are eligible for Coronavirus-Related Distributions.
(See eligibility requirements below)

The following expanded distribution opportunities apply only to distributions made between January 1, 2020 and December 31, 2020

CRA 401(a) Money Purchase Pension Plan
• Coronavirus-related in-service distributions are ONLY AVAILABLE to participants over 55 years of age.
• Eligible plan participants can only request distributions of vested 401(a) balances.
• Coronavirus-Related Distributions from all retirement plans, including IRAs, cannot exceed $100,000. (You can request multiple distributions if needed, as long as your Coronavirus-Related Distributions in total do not exceed $100,000.)

CRA 457(b) Deferred Compensation Plan
• Coronavirus-Related Distributions are available to eligible plan participants, regardless of age.
• Eligible plan participants can request an in-service distribution of their full 457(b) accumulation. However, distributions from all retirement plans, including IRAs, cannot exceed $100,000. (You can request multiple distributions if needed, as long as your Coronavirus-Related Distributions in total do not exceed $100,000.)

ELIGIBILITY REQUIREMENTS
• You, your spouse or a member of your household must have been diagnosed with COVID-19, or
• You, your spouse, or a member of your household must have suffered adverse financial consequences due to the pandemic. Examples might include reduced income from being quarantined or furloughed, having your hours and/or pay reduced, being unable to work due to lack of childcare, having a job offer rescinded or start date for a job delayed, or other issues beyond your control arising out of this situation.
• Eligibility for CARES Act-related provisions will be self-certified by the CRA plan participant. Misrepresentations can result in tax penalties.

To request a Coronavirus-Related Distribution from a CRA 401(a) plan, you must meet the above eligibility requirements and be over 55 years of age.

TAX/WITHHOLDING PROVISIONS
Coronavirus-Related Distributions will be taxable as ordinary income.

Tax Withholding
• Federal tax withholding is not mandatory. If no election is made, the default federal tax withholding is 10%.
• Colorado state tax withholding is not mandatory. If no election is made, the default is that no state tax will be withheld.
Early Withdrawal Penalty

- Coronavirus-Related Distributions (up to $100,000) from the CRA 401(a) plan will not be subject to a 10% early withdrawal penalty.
- Distributions from the CRA 457(b) plan are never subject to early withdrawal penalties.

Coronavirus-Related Distributions can be fully included as income in the year of distribution or spread ratably over three years beginning with the year of distribution. Once the individual elects the tax treatment and files their tax return, they may not change the treatment. State and local taxes may not be subject to this delayed tax treatment.

Alternatively, distributions can be recontributed to a qualified retirement plan, or IRA, by the end of the 3rd year following distribution, thus avoiding taxes on the distribution.

THINGS TO CONSIDER

Potentially Reduced Money for Retirement

The CARES Act provisions are meant to provide more options for people who are struggling financially due to the COVID-19 coronavirus pandemic. Even if you are eligible to take advantage of these provisions, taking a Coronavirus-Related Distribution may not be the best solution. In addition to the tax impact, you need to weigh the risk of taking a distribution to possibly solve a short-term cash flow situation versus the long-term risk of not having enough money at retirement.

Withdrawals Are Still Taxable

While the 10% early withdrawal penalty does not apply to Coronavirus-Related Distributions, remember that any pre-tax amounts withdrawn will still be taxable as income. If you are able, consider repaying your withdrawal over the next three years.* By repaying the money to your retirement plan you will avoid paying income taxes that will otherwise apply. If you choose 0% tax withholding, it is important that you set aside money to cover both your federal and state tax obligations.

* Please consult a tax advisor for guidance related to your personal tax situation.

REQUESTING A DISTRIBUTION

You must complete a Coronavirus-Related Distribution form, including self-certification of eligibility. To request a form, please contact CRA directly at 303.713.9400. Forms can be submitted electronically, via regular mail or by express mail. Specific instructions are provided on the form.