

THE 2020 CARES ACT AND IMPLICATIONS FOR RETIREMENT PLANS

Background

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020 in response to the Covid-19 pandemic. The scope of the CARES Act is vast, and the related legislation may still be in flux. IRS Notices 2020-50 and 51, released in late June, expanded some aspects of the CARES Act. We have amended some of the questions below to reflect these new developments.

This FAQ document focuses on the legislative changes that may be relevant for our clients who have Individual Retirement (IRA) or Employer-Sponsored Retirement Plan accounts held directly in the Columbia Funds.

As always, please consult your tax advisor if you have questions about the CARES Act, IRS deadline extensions and state-specific relief in terms of how they may impact your specific situation.

Q1: The CARES Act allows me to suspend my RMD for 2020. How do I go about doing that?

RMDs from IRAs, inherited IRAs and Defined Contribution Plans (e.g., 401(k), profit sharing, 403(b), 457 plans) are suspended in 2020. The IRS did not grant a suspension of RMDs from defined-benefit plans. Contact us to suspend your RMD.

Q2: If I've already taken all or some of my RMDs for 2020, may I return what I've taken?

Updated in accordance with June's IRS Notice 2020-51

Yes, you can rollover all or a portion of your RMDs taken in 2020, including 2019 RMD payments made in 2020. The rollovers must be completed by August 31, 2020 and are **not** limited to the one rollover per calendar year rule.

RMDs taken in 2020 from inherited IRAs may also be rolled over in accordance with the guidelines above. The direction for all RMDs being rolled back is that they are to be rolled into the same IRA from which they were distributed.

Q3: I don't want to make any changes to my current RMD for 2020. Do I need to do anything?

No, you do not need to take any action if you want your RMDs for 2020 to continue as scheduled.

Q4: I need to take a distribution/redemption from my IRA or employer-sponsored retirement plan because I have been impacted by Covid-19. How does that work and what do I need to do?

The CARES Act allows for up to \$100,000 per taxpayer to be distributed in 2020 to any qualified or Coronavirus-affected individual (see qualifications below). These distributions are not subject to the 10% early distribution penalty or the mandatory 20% tax withholding. This provision applies to qualified distributions made between January 1, 2020 and December 31, 2020.

In addition, amounts withdrawn from a retirement account for this reason are includible in income over a three-year period. For example, an individual who withdraws \$100,000 in 2020 as a qualified distribution would include one-third of that amount in income for each of the 2020, 2021 and 2022 tax years.

Individuals who take these distributions will also have three years to repay the amount to the retirement account if they choose to do so. The repayments will be treated as rollovers and do not count against the individual's annual contribution limits. Consult your tax advisor or the IRS for details.

If you are under 59½, the distribution will be coded as "Premature or Early Distribution, no known exception" on your Form 1099-R, which will be sent to you at the end of January 2021. To avoid the 10% early withdrawal penalty, you will need to self-certify on your tax filing that the distribution was taken for one of the following reasons:

Definition of qualified individual/coronavirus-affected individual.

Expanded in accordance with June's IRS Notice 2020-50

- If the individual, a spouse or a member of household has reduced work hours, a reduction in pay (or self-employment income) or a job offer that is rescinded or delayed
- If the individual, a spouse or a member of household experiences quarantine, furlough, layoff, or inability to work due to lack of childcare
- Closing or reduced hours of a business owned or operated by an individual, a spouse or a member of household

Q5: Am I able to take a loan from my employer-sponsored retirement plan?

Your plan may allow loans up to \$100,000, or 100% of your vested account balance, whichever is less. Upon request, loan payments due on outstanding loans you have taken from your plan may be suspended for a period of up to 12 months.

Please consult your plan administrator to find out if loans are available and other details about the CARES Act and loans.

Q6: The deadline for making a prior year contribution has been extended to July 15, 2020. How do I go about making a prior year contribution?

If you have set up your banking information with us, you can make your contribution online or over the telephone prior to 4:00 PM ET on July 15, 2020. Indicate that you want the amount reflected as a prior-year contribution.

You can also mail a check indicating the amount that should be coded as a prior-year contribution, along with your account number(s) and any allocation instructions, to our regular or overnight mail address below. The postmark must be July 15, 2020 or earlier for any prior-year contributions.

Q7: I made an excess contribution to my IRA. Does the filing extension to July 15, 2020 apply to correcting excess contributions made in 2019?

Yes, the filing extension to July 15, 2020 does apply to correcting excess contributions made in 2019.

Q8: Will Forms 5498s and 5498-ESA be mailed after July 15, 2020?

No, Forms 5498 and 5498-ESA will be mailed prior to July 15, 2020, and corrected forms will be mailed for any prior year contributions completed in late August after the initial mailing.

Regular mail: Columbia Management Investment Services Corp. P.O. Box 219104 Kansas City, MO 64121-9104	Overnight mail: Columbia Management Investment Services Corp. c/o DST Asset Manager Solutions, Inc. 430 W 7th Street, STE 219104 Kansas City, MO 64105-1407
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