



Montana Teachers' Retirement System

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INFORMATION SHEET: CORONAVIRUS-RELATED DISTRIBUTION

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The **Coronavirus Aid, Relief, and Economic Security Act** ("CARES Act") was signed by President Trump on March 27, 2020. In part, the CARES Act provides tax advantages for **Coronavirus-Related Distributions** (referred to hereafter as "CVRD") from eligible retirement plans, including TRS.

Which TRS Members are Eligible for a CVRD?

A refund of a member's accumulated contributions account balance upon withdrawal from the retirement system may be a CVRD **if**:

- the member was diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;
- the member's spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) was diagnosed with such virus or disease by such test; or
- the member experienced adverse financial consequences by being quarantined, furloughed, or laid off, by having work hours reduced, by being unable to work due to lack of child care, or by closing or reducing of hours of a business the member owns or operates due to such virus or disease, or by other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

Note: To be eligible to withdraw from TRS, a member must have terminated all TRS-reportable employment. The circumstances that otherwise authorize a CVRD do not supersede this requirement. If you have not terminated employment in all positions reportable to TRS, you are not eligible to withdraw from the retirement system and are not eligible to receive a distribution of any portion of your accumulated contributions, even though you may meet one or more of the criteria set forth above.

Verifying Your Eligibility for a CVRD

If you have terminated employment in all TRS reportable positions and you wish to withdraw and receive a refund of your accumulated contributions as a CVRD, you must certify your eligibility for a CVRD by completing **Form 119 Attachment: CVRD Certification** and submitting it to TRS with your completed Application for Withdrawal (Form 119). TRS will not request or obtain further proof of your certification of eligibility for a CVRD. TRS recommends that you consult your tax advisor to determine whether you may be required to provide proof of eligibility for a CVRD when you file your tax return.

Federal Tax Withholding

If you receive the refund of your accumulated contributions from TRS as a CVRD, the full amount will be paid directly to you as a lump-sum distribution. TRS may not directly rollover any portion of your CVRD to another eligible retirement plan. Therefore, you should not complete Section VI of Form 119 Application for Withdrawal. If you do complete Section VI of Form 119, TRS will disregard your instructions in that section.

Generally, federal tax withholding of 20% would apply to a rollover-eligible lump-sum distribution. However, the refund of your accumulated contributions from TRS as a CVRD will not be subject to this 20% federal tax withholding rate. Also, the CVRD will not be subject to the 10% tax penalty generally applicable to distributions received before age 59 ½. Instead, the distribution will be subject to a default federal tax withholding rate of 10%, although you may elect to have no amount withheld for federal taxes, or you may elect to have the default 10% withheld plus an additional specific dollar amount. You must complete the enclosed **Federal Tax Withholding Instructions for Coronavirus-related Distribution** and return it with Form 119 *Application for Withdrawal* and Form 119 Attachment: *CVRD Certification*.

Eligibility to Redeposit Your CVRD with TRS

If you withdraw from TRS and receive your refund as a CVRD, and you again become an active member of TRS, you may redeposit your withdrawn accumulated contributions and have your forfeited creditable service restored. You will not have to pay the interest normally charged on a redeposit for any amount of the CVRD, provided you redeposit it with TRS within the three (3) calendar years beginning on the day after the date on which you received the distribution. Any amount of the coronavirus-related distribution CVRD redeposited with TRS after the three-year expiration date would be subject to interest, as is normally required on redeposits. All other provisions of TRS law pertaining to withdrawals and redeposits apply to your CVRD.

Other Rights and Obligations

You may have additional rights or obligations under the CARES Act related to tax reporting of your CVRD that are not addressed in this information sheet. For example, you may be eligible to contribute those amounts to eligible plans other than TRS. Please contact your financial advisor or accountant for more information.