COVID-19 RELATED WITHDRAWAL NOTICE

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, changed the taxation of certain retirement account withdrawals.

Normally, if you elect to refund your account with SERS, 20% federal income tax is withheld unless the payment is rolled over to an eligible plan. In addition, if you are under age 59 ½, your refund is also subject to an early withdrawal tax penalty of 10%.

The CARES Act permits qualified individuals to elect special tax treatment for a refund, including waiver of the early withdrawal penalty on up to $100,000 in 2020.

As defined by law, “qualified individuals” are those:

1. Who are 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,

2. Whose spouse or dependent are diagnosed with such virus or disease, or

3. Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

If you are a qualified individual and elect this special tax treatment, the following will apply to your refund:

- You can elect to have no taxes withheld, 10%, or 20% withheld.
- Your refund will not be subject to the additional 10% early withdrawal penalty. Please note if your refund is over $100,000 and you are under age 59½, any amount over $100,000 is subject to the early withdrawal penalty of 10%.
- You cannot receive a direct rollover of these funds to an IRA or employer plan.

Consult your tax advisor to determine how this could affect your income tax return.

The CARES Act does not change SERS’ requirements for refunding your account. This means:

- No hardship withdrawals, loans, or partial refunds are available.
- You must terminate employment in your SERS-covered position.
- You must wait three months from the last date of service in your SERS-covered position to receive your refund.

If you are requesting a COVID-19 related refund, please complete the enclosed COVID-19 certification and tax withholding form, as well as the refund application.