



October 13, 2021

## **FAQs Regarding Certain Retirement Distributions under the CARES Act**

### **1. What changes did Section 2202 of the CARES Act make to coronavirus-related retirement distributions?**

Section 2202 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, provides for expanded distribution options and favorable tax treatment for up to \$100,000 of coronavirus-related distributions made from eligible retirement plans (including IRAs) between January 1 and December 30, 2020. Qualified individuals may elect to include coronavirus-related distributions in income in equal installments over a three-year period.

For more information, including the definitions of a qualified individual, a coronavirus-related distribution, and an eligible retirement plan, see the IRS [Notice 2020-50](#).

### **2. How does a taxpayer report qualifying coronavirus-related distribution on their 2020 federal tax return?**

A qualifying coronavirus-related distribution should be reported on the taxpayer's federal individual income tax return for 2020. The taxpayer may elect to include the entire taxable amount of the distribution in income for 2020 or the taxpayer may elect to include the taxable amount of the distribution over a 3-year period (in tax years 2020, 2021, and 2022).

Federal Form 8915-E is required to report any repayment of a coronavirus-related distribution and to determine the amount of any coronavirus-related distribution includible in federal income for the tax year.

### **3. Does NC tax law follow the federal provisions?**

Yes. [S.L. 2020-58](#) updated North Carolina's reference to the Internal Revenue Code to May 1, 2020. As a result, the provisions of the CARES Act were incorporated into North Carolina law unless specifically decoupled from by the General Statutes. Since the General Statutes do not include a decoupling provision related to Section 2202 of the CARES Act, North Carolina has conformed to these federal provisions.

**4. Are any adjustments necessary on the NC individual income tax return for tax year 2020?**

No. The starting point of the NC individual income tax return is federal adjusted gross income. Because North Carolina has not decoupled from the federal provision for tax year 2020, taxpayers are not required to make any North Carolina adjustments to adjusted gross income with respect to this federal provision.

**5. If NC income tax withholding is reported on the 1099-R issued for a coronavirus-related distribution, can a taxpayer elect to allocate that withholding over the 3 year period?**

No. North Carolina law does not allow the taxpayer to allocate the state portion of income tax withholding reported on Form 1099-R over the 3 year period.

**6. Will the Department adjust a taxpayer's North Carolina return if a taxpayer understates the taxable amount of a distribution on their federal return?**

The Department routinely examines returns to ensure taxpayers comply with the applicable tax statutes. If the Department examines and adjusts a taxpayer's return, a proposed notice will be sent to the taxpayer with an explanation of any adjustments the Department made to the return.

If the taxpayer objects to a proposed denial of refund or a proposed notice of tax assessment (collectively, "proposed action"), the taxpayer may request a Departmental review of the proposed action by timely filing a request for Departmental review ([Form NC-242](#)) within 45 days of the date the notice.

**7. If the Internal Revenue Service ("IRS") makes changes to an individual's federal return related to a distribution, what action must a taxpayer take to report the change on their North Carolina return?**

If the IRS makes changes to an individual's federal return and the change affects the amount of North Carolina tax payable, the individual must file an amended income tax return reflecting the change within six months after being notified by the IRS of the change.

If an individual does not amend the state return to reflect the federal changes and the Department of Revenue receives a report from the IRS showing the, an assessment may be made by the Department within three years from the date of receipt of the report.

For more information regarding amended returns, taxpayers should review the [When, Where and How to File Your Amended Individual Income Tax Return](#) section on the DOR website.