

WHAT YOU SHOULD KNOW

CARES Act: Legislation in response to the COVID-19 pandemic

In response to the COVID-19 outbreak, the federal government has enacted 3 separate pieces of legislation in the last few weeks aimed at minimizing the financial fallout caused by the shuttering of businesses and disruptions to the global economy.

MARCH 6, 2020:

The Coronavirus Preparedness and Response Supplemental Appropriations Act provides \$8.3 Billion in emergency funding for vaccine development, small business loans, telehealth services, replenishing infectious disease response funds and other international efforts.

MARCH 18, 2020:

The Families First Coronavirus Act provides nearly \$3.5 Billion in funding for paid sick leave, insurance coverage for COVID-19 testing, nutrition assistance through SNAP and expanded unemployment benefits.

MARCH 27, 2020:

The Coronavirus Aid, Relief, and Economic Securities Act (CARES) provides nearly \$2.3 Trillion in additional economic support for businesses, employees, individuals and families. Below is a summary of relevant provisions within the CARES Act which is most likely to affect you and your loved ones.



RECOVERY REBATE PAYMENTS

- Individuals with an Adjusted Gross Income of \$75,000 or less will receive a rebate check of \$1,200.
- Married taxpayers with AGIs of less than \$150,000 will receive a rebate check of \$2,400.
- AGIs are based on 2019 tax returns, or 2018 tax returns if 2019 returns have not yet been filed.
- An additional \$500 will be paid for each qualifying child who is under 17 years old.
- These rebates will be reduced by \$5 for every \$100 over the AGIs listed above.
- Payments will be eliminated for an individual with an AGI over \$99,000 with no children and a married couple with an AGI over \$198,000 with no children.
- For every \$10,000 over the \$99,000/\$198,000 AGI thresholds, a \$500 child payment will be eliminated. For example, a typical family of 4 will not receive a payment if AGI exceeds \$218,000.
- No payments will be received for children who are 17 years of age or older and have been claimed as a dependent on their parent's tax return.
- Individuals who receive Social Security benefits, but do not need to file a tax return will receive a rebate check based on income reported by the Social Security Administration.
- Individuals with no income are eligible for a rebate check if they are not dependents of another taxpayer and have a work-eligible Social Security Number.



Recovery Rebate Payments (continued)

- Rebate checks are not taxable but are treated as an advance tax refund for 2020.
- If you are ineligible for a rebate based on 2019 income, but will be eligible based on 2020 income, you can claim the credit when you file 2020 taxes.
- Payments are expected to be sent out within the next few weeks.

2020 REQUIRED MINIMUM DISTRIBUTION WAIVERS

- Taxpayers do not have to take a Required Minimum Distribution in 2020 from retirement accounts such as IRAs, 401(k)s and 403(b)s.
- This includes individuals who turned 70 ½ in 2019 and to those who turn 72 in 2020.
- This waiver extends to RMDs from Inherited IRAs as well.
- Qualified Charitable Distributions from IRAs are still allowable. You must be at least 70 ½ to make QCDs.
- Roth IRA conversions may be processed in 2020 without regard to RMDs.

CHARITABLE DEDUCTIONS

- Without itemizing deductions, individuals are allowed an above-line tax deduction of up to \$300 for any cash gifts to a qualified charity in 2020 and future years.
- Individuals who do itemize, may gift up to 100% of their AGI in 2020. Gifts in excess of AGI may be carried over for 5 years.

RETIREMENT ACCOUNT WITHDRAWALS

- The 10% early withdrawal penalty is waived on withdrawals up to \$100,000 in 2020 for funds needed in relation to COVID-19.
- A COVID-19 related distribution includes funds withdrawn for testing and treatment for the individual, spouse or dependent diagnosed with the virus.
- A COVID-19 related distribution also includes individuals who experience financial consequences as result of a layoff, job loss, reduced hours, mandatory quarantine or shelter at home order, etc.
- The funds withdrawn early (typically before age 59 ½) are still subject to ordinary income taxes but the tax liability may be spread over 3 years.
- The withdrawals may also be repaid into the account without regard to contribution limits over the next 3 years.

ENHANCED UNEMPLOYMENT BENEFITS

- Unemployment Benefits will be paid out for a maximum of 39 weeks instead of 26 weeks.
- Weekly benefit checks will increase to \$600 through July 31, 2020. This is in addition to State unemployment benefits.
- More individuals will be eligible for benefits including freelancers, contractors and self-employed individuals who lose work in relation to COVID-19.

SUSPENDED STUDENT LOAN PAYMENTS

- Interest will not be charged on federally-owned student loans until September 30, 2020.
- Payments on federally-owned student loans will not be required until September 30, 2020.
- Those 6 payment-free months will still count as if payments were made for a borrower in a student loan forgiveness program.
- Employers may contribute up to \$5,250 towards a worker's student loan debt through the end of the year on a tax-free basis.



SMALL BUSINESS RELIEF

- All businesses (regardless of size) that experience a 50% reduction in receipts in a quarter in 2020 as compared to 2019, are eligible for a 50% payroll tax credit on the first \$10,000 of employee wages.
- 50% of the employer portion of 2020 payroll tax can be delayed until 12/31/2021 and the balance is due 12/31/2022
- A loan of up to \$10 Million is available to small businesses with less than 500 employees under the Paycheck Protection Program (PPP).
- PPP loans may be fully or partially forgiven if used for payroll, rent, utilities or mortgage interest.
- PPP loan payments will be deferred for 6 months.
- PPP loans mature in 2 years and will be charged 0.50% interest.
- PPP loans are available through existing Small Business Administration lenders or through any federally insured depository institution, credit union or Farm Credit System that is participating.