

As COVID-19 upends life in the United States, the Federal government passed the CARES Act in hopes to alleviate at least the economic impact of the virus. The motivation for swift passage through the Senate and House and approval by the President is the unparalleled economic uncertainty and skyrocketing unemployment. We hope to help you navigate the relief that may be available to you under the CARES act. This third aid package from Congress is aimed at businesses and individuals. The following are the provisions that directly impact individuals:

Expanded Unemployment – The CARES Act expands unemployment compensation for who is covered, the timing of the coverage and the amounts paid. Covered individuals are included for reasons directly related to COVID-19. The benefits are also available to self-employed individuals unable to work due to COVID-19 issues. The act waives the week waiting period under state law for receiving unemployment. The amount paid under the state unemployment is increased by \$600.

Recovery Rebates – The most well-known provision in the CARES Act is the advanced payment of a 2020 individual income tax credit.

- How much is the credit? Single filers will receive \$1,200 with joint filers receiving \$2,400 plus \$500 per qualifying child subject to adjusted gross income (AGI) limitations. A qualifying child is a dependent child under the age of 17. Taxpayers with AGI below \$75,000 (single), \$112,000 (head of household) and \$150,000 (married filing jointly) will receive the full amount of the rebate. The amount is phased out if the AGI exceeds those thresholds. The credit is completely phased out once a taxpayer's AGI exceeds \$198,000 (married filing jointly), \$99,000 (single) and \$ 146,500 (head of household).
- How will they calculate the credit? Because the 2020 income tax returns will not be filed until 2021, the payments will be paid out based on either the 2018 or 2019 individual income tax return using the most recently filed return. The act also directs that the 2019 Form SSA-1099 may be used if a return is not on file for 2018 or 2019. The refund will not be offset by other amounts owed to the IRS except for child support.
- How will I receive the rebate? The IRS will use electronic deposit to accounts if the taxpayer authorized direct deposit for a refund on a tax return since January 1, 2018 or Social Security benefit deposit.
- How will it affect my 2020 tax return? The amount will not be taxed on the 2020 income tax return. Currently, there is no provision for repayment if a taxpayer received more than the allowed amount based on the 2020 AGI.

Retirement Plan Distributions – Distributions from eligible retirement plans up to \$100,000 qualify for an exemption to the 10% additional tax typically assessed on distributions.

- Who qualifies? A qualifying individual is a person diagnosed with COVID-19 by a test, a person whose spouse or dependent is diagnosed with COVID-19 or a person who has experienced financial hardship due to COVID-19.
- Is the distribution still subject to income tax? Coronavirus-related distributions are subject to income tax. However, the taxpayer can elect to spread the income from the coronavirus-related distribution over 3 year or can chose to pick it up entirely in 2020. Also, the distribution can be contributed back at any time over a 3-year period from the date the distribution is received.
- What about a loan from a retirement plan? More flexibility is allowed for coronavirus-related relief.

Required Minimum Distributions (RMDs) – Generally, the RMD requirement is waived for 2020, but there are some situations where the waiver does not apply.

Charitable Deductions – The CARES act allows for expanded charitable contributions.

- \$300 Above-the-line Deduction – A taxpayer who does not itemized deductions is allowed to deduct up to \$300 of charitable contributions made in 2020 and beyond in calculating adjusted gross income.
- No limitation on individual charitable contributions – A taxpayer may deduct up to 100% of adjusted gross income for 2020 for certain charitable contributions such as 501(c)3 organizations, churches, educational organizations and medical research organizations. Contributions paid to donor advised funds do not qualify.

As always with new tax laws, interpretations may change as more regulations and information becomes available. Also, this information is general in nature and outcomes may change in your specific tax situation. We can address specific situations as we with partner with you during this difficult time.