

THE CARES ACT

March 30, 2020

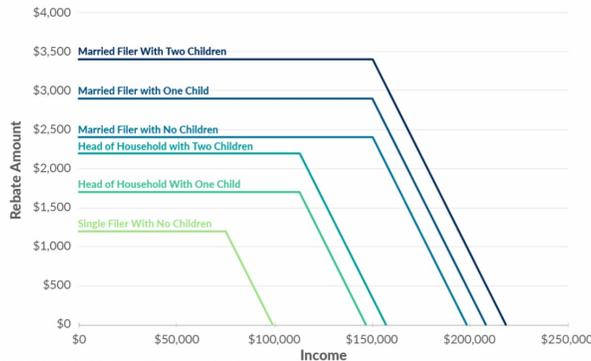
Last Friday, the much-anticipated fiscal package targeting economic relief for individuals and businesses became law. The 880 page, \$2T bill achieved vast bipartisan support. **The following is a rundown of the most pertinent parts of the CARES (Coronavirus Aid, Relief, and Economic Security) Act as it pertains to individual relief:**



- All U.S. residents with adjusted gross income up to **\$75,000 (\$150,000 married)**, who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for a **\$1,200 (\$2,400 married)** tax rebate. In addition, they are eligible for an additional \$500 per child. The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold.

Proposed Relief Rebate in the CARES Act

Proposed Individual Economic Relief Rebate By Filing Status



Source: "Coronavirus Aid, Relief, and Economic Security Act"

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- **Coronavirus-Related Distributions, up to an aggregate of \$100,000, are allowed in 2020 from IRAs and employer-sponsored retirement plans.** Distributions from employer-sponsored plans do not need to fit the plan's current in-service distribution requirements. Distributions, while taxable, are exempt from the 10% early withdrawal penalty and are not subject to any mandatory tax withholding requirements. Furthermore, income can be spread over 3 years and distributions are eligible to be repaid over 3 years. In order to qualify as a Coronavirus-Related Distribution, it must be to an individual: who is 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, whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) is diagnosed with such virus or disease by such a test, or 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 (or the Secretary's delegate).
- **Loans from eligible employer-sponsored retirement plans have also been expanded to individuals** meeting the above-mentioned criteria. The maximum loan is expanded to the lesser of \$100,000; or the greater of \$10,000 or 100% of the participant's vested benefit.
- **Required Minimum Distributions (RMDs) are waived for 2020 for all types of defined contributions plans (i.e. 401(k), 403(b), 457(b) plans) and IRAs.** This also includes RMDs attributable to 2019 but due in 2020. Distribution requirements are also waived for Inherited (Beneficiary) IRAs and any individual taking beneficiary distributions via the 5-Year Rule has been given an extra year. For those who have already taken an RMD in 2020, we will be awaiting guidance from the IRS as to whether that distribution can be re-paid. There is some precedent for this, as repayment of RMDs was allowed during the 2009 Credit Crisis.
- **Student loan payments to federal student loans may be stopped through September 30, 2020.** There will also be no loan interest on federal student loans during this period.
- **On the charitable giving front, the act includes a \$300 "above-the-line" deduction provision for 2020. This means you can claim up to \$300 in charitable giving without the need to itemize your deductions.** The adjusted gross income limitations on charitable gifts have also been lifted for 2020. You can now make charitable gifts up to 100% of your adjusted gross income. Gifts to donor-advised funds are not eligible and any unused portion of a gift can still be carried forward an additional 5 years.

These are but a handful of the provisions in the new law. If you have additional questions regarding your specific situation do not hesitate to reach out to us. If you are a small-business owner, there are new programs specifically targeted to provide your business with economic relief as well. Please reach out to our team and we can walk you through those provisions.

As a reminder, the federal tax filing deadline for 2020 has been moved to July 15. This is also the new deadline for 2019 IRA and Roth IRA contributions and for any income tax owed. Please check with your individual state to confirm their deadline has been extended as well. Also, the tax extension date has not been moved and is still October 15, 2020.

In closing, many of you have reached up to our team asking if we have time in the midst of this crisis to talk with other friends or family members seeking advice. As we have said many times, **we are built for times such as these** and we would welcome such inquires. Our entire team is at the helm, along with a vast referral network of bankers, attorneys, and accountants where needed. Proactive communication and steadfast advice is needed now more than ever, and we stand ready to be that trusted resource.

Be well and stay healthy,

Your Wealth Management Team,

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