



F.I.T. Focus – April 2020

COVID-19, the Government Response and How It May Impact You

The COVID-19 virus has altered life for everybody. The health, financial, and economic implications have been significant, as has the number of changes enacted by the government to combat the economic toll of the virus. Given the sheer velocity and scope of these changes, we wanted to provide some highlights that we feel are most relevant to you during this immediate period. The highlights will focus on the CARES Act, the most substantial fiscal stimulus in American history, as well as changes related to tax filing for 2019.

The CARES Act

The \$2.2 Trillion CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed into law on March 27, 2020. Some of the key provisions of The CARES Act include direct payments to individuals and families who meet certain income requirements, relaxed rules on retirement plan distributions and loans, increased unemployment benefits and relief to small businesses. Let's examine some of the major points for each.

- **Direct Payments** – Taxpayers who meet requirements for adjusted gross income (AGI) on their 2018 or 2019 tax returns will be eligible to receive money directly from the government. Individuals are eligible to receive \$1200, while couples will receive \$2400. For those with children, an additional \$500 is added per child under age 17. For example, a married couple with 3 children would start with a total rebate of \$3,900, subject to reductions based upon income. The following table outlines the income levels where the total rebates start to get reduced.

| Tax Filing Status | AGI Phase-out |
|------------------------|---------------|
| Single | \$75,000 |
| Married Filing Jointly | \$150,000 |
| Head of Household | \$112,500 |

Stimulus checks are reduced by \$5 for every additional \$100 of income above the "AGI Phase-out" level.

- **Coronavirus-Related Distributions from Retirement Accounts** – For those impacted by the Coronavirus, the act has allowed for Coronavirus-Related Distributions in 2020 of up to \$100,000 from IRAs and/or employer-sponsored plans without the 10% early withdrawal penalty or mandatory withholding requirements. Importantly, the income from the distribution defaults to being spread out over three years for tax purposes (2020-22) but can also be paid back over three years, starting the day after the distribution was made.
- **Enhanced Access to Loans from Employer-Sponsored Retirement Plans** – Participants in employer-sponsored plans like a 401(k), can now borrow 100% of their vested account balance up to \$100,000, doubling the previously allowable amount of \$50,000. The new loan rules apply to loans taken within 180 days of the enactment of the bill. Any loan repayments normally due between date of enactment and December 31, 2020, could be suspended for one year.
- **Required Minimum Distributions (RMDs) from Retirement Accounts are Waived for 2020** – For those who would typically be forced to take required minimum distributions, but do not need the money, a nice benefit of the bill is

that RMDs have been waived for 2020. Besides deferring the tax bill, it may give the retirement account more time to recover before RMDs resume in 2021.

- **Enhanced Unemployment Benefits** – Those eligible to receive unemployment benefits in their state should see their benefits increased by \$600 per week and extended by an additional 13 weeks. The enhanced benefits represent an increase of 150% or more for those in need of unemployment assistance.
- **Small Business Relief** – Several programs have been established to provide benefits to struggling small businesses. One of those programs, the *Paycheck Protection Program*, has set aside over \$350 billion for loans to be made to businesses with less than 500 employees, self-employed individuals, independent contractors, and sole proprietors. It is a first-come, first-serve program, and loans are potentially forgivable if certain conditions for maintaining employment and payroll are satisfied. For example, loan proceeds must be utilized for payroll costs, including benefits, rent, and utilities, which all have their own specific requirements.
- **Student Loans** – Required federal student loan payments can be deferred until September 30, 2020, and no interest will accrue on the loans during that time. Importantly, payments will continue by default unless borrowers contact their loan provider to pause payments.

2019 Tax Filing Changes

Recently, the Treasury Department and IRS have provided the following updates and guidance for filing your 2019 taxes:

- **Deadlines** - The 2019 income tax filing and payment deadlines for all taxpayers who file and pay their Federal income taxes on April 15, 2020, are automatically extended until July 15, 2020. This relief applies to all individual returns, trusts, and corporations. This relief is automatic; taxpayers do not need to file any additional forms or call the IRS to qualify.
- **Refunds** - The IRS urges taxpayers who are due a refund to file as soon as possible. Most tax refunds are still being issued within 21 days.
- **Estimated Tax Payments** - This relief also includes estimated tax payments for the tax year 2020 that are due on April 15, 2020, and can now be paid by July 15, 2020. Second-quarter 2020 estimated income tax payments are still due on June 15, 2020.
- **Extensions** - For those who can't file by the July 15, 2020 deadline, the IRS reminds individual taxpayers that everyone is eligible to request an extension to file their return. This extension would give you until October 15 to file your return, but your payment would still be due by the extended payment deadline, July 15, 2020.
- **IRA Contributions** - Because the due date for filing Federal income tax returns has been postponed to July 15, the deadline for making contributions to your IRA for 2019 is also extended to July 15, 2020.

Importantly, this relief applies only to Federal income tax payments. State filing and payment deadlines vary. [Please click here to find the most updated information on individual state deadlines from the Tax Foundation.](#)

While the list of relief measures and deadline changes above is not exhaustive, it does represent some of the more critical changes that individuals, families, and business owners need to be aware of. If you have any questions or would like to discuss how these changes may impact you and your family more specifically, please do not hesitate to reach out to us.

If you have any questions regarding this report, please contact us at info@atwob.com or 914.302.3233

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