

CARES Act for individuals update

The following represents a summary of the recently signed into law CARES Act—also referred to as the Stimulus Package.

RECOVERY CHECKS – KEY POINTS

Recovery check distribution amounts—Single taxpayers will receive \$1,200 and joint taxpayers will receive \$2,400. There is an additional \$500 for each qualifying child.

The recovery check is considered a credit for 2020, but paid in advance.

The amount is reduced (but not below zero) by 5% of each dollar a person's adjusted gross income (AGI) exceeds. Consider the following:

- Married filing joint: \$150,000 (AGI over \$198,000 does not qualify)
- Head of household: \$112,500 (AGI over \$146,500 does not qualify)
- Single: \$75,000 (AGI over \$99,000 does not qualify)

Consider the following example:

1. A married couple with no children has an AGI of \$190,000.
2. \$190,000 is \$40,000 above the \$150,000 amount shown above.
3. The couple's check is reduced by 5% of \$40,000, which is \$2000.
4. Therefore, they would receive a check for \$400. (i.e., \$2400 - \$2000 = \$400)

Other key details for recovery check eligibility include:

- Nonresident aliens are not eligible for the rebate.
- If a taxpayer has an outstanding debt (which the IRS would typically offset a refund by paying that debt), recovery dollars will not be used to offset that debt.
- Amount will be direct deposited into the account on the last filed return. Every taxpayer will receive a letter indicating their recovery check was dispersed. If the letter is not received, there will be a specific phone number to call to have the check re-issued.
- AGI will be accessed from 2019 returns if filed at the time of determination. Otherwise, 2018 returns will be used. Taxpayers who have not filed a return will not receive a check unless they did not file because they only have SSA-1099 or RRB-1099 (social security). The Treasury Department will review those forms for 2019 and issue the appropriate amount via check.

UNEMPLOYMENT – KEY POINTS

Any employee who was furloughed or part of a layoff is eligible for state unemployment. Details are as follows:

- Unemployment amount via the state typically ranges from 30-50% of the standard wage, depending on the state.
- The amount a person will receive for unemployment over four months will be the amount the state would already provide, but increased by \$600 per week through July 31, 2020. For example, if a person is eligible for \$300 weekly, they will receive \$900 per week over four months or through July 31, 2020, whichever comes first.
- If an employee is already unemployed due to COVID-19, the \$600 weekly additional payment will be paid retroactively.
- Self employed individuals, independent contractors and gig workers are eligible for unemployment under this program.

RETIREMENT DISTRIBUTIONS – KEY POINTS

Ability to withdraw up to \$100,000 retirement in 2020 for COVID-19-related purposes without 10% penalty—The distribution is taxable over a 3-year period unless electing to pay it back within 3 years. This essentially equates to a loan unless it is not paid back within the 3-year timeframe. This rule applies to individuals:

- Diagnosed with COVID-19
- Who have family (spouse or dependent) who have been diagnosed with COVID-19
- Who have adverse financial consequences in relation to COVID-19
- Who include the distribution in taxable income (unless they elect the 3-year payback)

Waived required minimum distributions (RMD) from individual retirement accounts—The required minimum distribution for 2020 has been waived.

This also applies to retirees who turned 70 1/2 in 2019 and are required to take their RMD by 4/1/20. If the retiree that turned 70 1/2 in 2019 still intends to take their RMD, this must happen by April 1, 2020—otherwise, the same penalty for late withdrawal will be applied.

CHARITABLE CONTRIBUTIONS - KEY POINTS

Above-the-line charitable contribution—For tax year 2020, if a taxpayer does not itemize deductions, they can deduct up to \$300 in addition to standard deduction for cash charitable contributions (no stock contributions).

Charitable contribution limitation by AGI—The 60% adjusted gross income limitation has been removed for 2020 (other than from donor advised funds).