

CARES Act

Some Key Points:

Loosens Rules on Retirement Accounts - American's required to take their RMDs in 2020 will be able to keep their retirement funds in place instead of being forced to cash out to meet the RMD which is suspended for 2020. The 10% early withdrawal penalty is also waived on coronavirus-related early distributions from 401(k)s and IRAs for distributions made at any time during 2020 up to \$100,000 and it may be repaid within three years

The Act also allows **loans of up to \$100,000 from qualified plans, and repayment can be delayed.**

For these purposes, an eligible taxpayer is one who has been diagnosed with SARS-CoV2 virus or COVID-19 disease or whose spouse or dependent has been diagnosed with the disease or who experiences adverse financial consequences from being quarantined, furloughed, or laid off, or who has had his or her work hours reduced, or who is unable to work due to lack of child care. Any resulting income inclusion can be taken over three years.

Delays Payroll Tax Payments for Employers - Employers will be able to delay the payment of their 2020 payroll taxes until 2021 and 2022, leading to approximately \$300 billion of extra cash flow for businesses.

Charitable deductions - The Act creates an above-the line charitable deduction for 2020, not to exceed \$300. This means you do not have to itemize your deductions to take it. The contribution must be in cash. The Act also modifies the Adjusted Gross Income limitations on charitable contributions for 2020, to 100% of the Adjusted Gross Income of Individuals and 25% of taxable income for Corporations. The Act Also Increases the food contribution limits to 25%.

Increased Unemployment Assistance: Provides an additional \$600/week payment to each recipient of unemployment insurance for up to four months. Provides an additional 13 weeks of unemployment benefits

IRA & HSA Contributions: The Treasury Department has postponed the deadline for make IRA and HSA contributions until July 15, 2020.

Student Loans: Suspends payments automatically for federal student loans through Sept 30, 2020 with no interest accruing or penalties during the period of suspension.

Existing Installment Agreements: For taxpayers under an existing installment agreement, payments due between April 1 and July 15, 2020 are suspended. By law, interest will continue to accrue on any unpaid balances.

Mortgages: Requires the servicers of federally backed mortgages to postpone mortgage payments at the request of the borrower, provided the borrower affirms financial hardship due to

COVID-19. The postponement must be granted for up to 180 days and extended for an additional period of up to 180 days at the request of the borrower.

Foreclosure: Prevents the servicer of a federally backed mortgage loan to initiate any foreclosure process for at least 60 days beginning on March 18, 2020.

Eviction: For 120 days after the CARES Act date of enactment, landlords with mortgages backed by the US Dept of Housing and Urban Development, Fannie Mae, Freddie Mac, and other federal entities cannot pursue eviction for their tenants. Landlords also can't charge any fees or penalties related to nonpayment of rent.

Payroll Tax Payments for Employers: Allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. All employers are responsible for paying a 6.2 percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. (We are waiting on specifics of how to implement this.)