

## Individual Provisions under the CARES Act – 2020 Stimulus Bill

### Individual Recovery Rebate/Credit - Stimulus Payments

Under the CARES Act, an eligible individual is allowed a rebate equal to the sum of:

1. \$1,200 (\$2,400 for eligible individuals filing a joint return) plus
2. \$500 for each qualifying child of the taxpayer under the age of 17

The amount of the credit is reduced (but not below zero) by 5% of the taxpayer's adjusted gross income (AGI) in excess of:

1. \$150,000 for a joint return,
2. \$112,500 for a head of household, and
3. \$75,000 for all other taxpayers.

Under these rules, the credit is completely phased-out for a single filer with AGI exceeding \$99,000 and for joint filers with no children with AGI exceeding \$198,000. For a head of household with one child, the credit is completely phased out when AGI exceeds \$146,500

This credit will be paid out as rapidly as possible, based on an individual's 2019 tax return information (2018 if your 2019 return has not been filed yet). If an individual's 2019 AGI was too high to qualify for the credit but the 2020 AGI is now within the limits, they would qualify to receive this rebate when they file their 2020 tax return.

The distribution of economic impact payments will begin in the next three weeks and will be distributed automatically, with no action required for most people. The IRS plans to use individual's direct deposit information on file to issue these returns; however, the Treasury Department is establishing a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail.

The IRS will continue to update information as it becomes available at the following site:

<https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>

### No 10% Penalty for Coronavirus-related Retirement Plan Distributions

The CARES Act provides that the 10% additional tax does not apply to any coronavirus-related distribution, up to \$100,000.

A coronavirus-related distribution is any distribution made on or after January 1, 2020, and before December 31, 2020, from an eligible retirement plan, made to a qualified individual.

A qualified individual is an individual

1. 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 (CDC),
2. Whose spouse or dependent is diagnosed with such virus or disease by such a test, or
3. 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.

Income tax due on such qualifying distributions is spread ratably over three years, beginning with the year the distribution occurs.

Distribution can be contributed back to retirement plans. Any individual who receives a coronavirus-related distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made.

#### **Required Minimum Distribution (RMD) Requirement Waived for 2020**

The CARES Act provides that the RMD requirements do not apply for calendar year 2020.

#### **Retirement Plan Loan Changes**

The CARES Act increased the loan maximum from \$50,000 or 50% of your vested balance to \$100,000 or 100% of your vested balance. This is for any money borrowed between March 27, 2020 and December 31, 2020. For individuals with existing loans, the due date for the loan repayment is suspended one year.

#### **\$300 Above-The-Line Charitable Deduction**

For taxpayers who take the standard deduction on their 2020 tax return, there is a new “above-the-line” deduction of up to \$300 for cash donations. Normally, taxpayers would need to itemize deductions to receive any benefit for charitable donations, but in this case taxpayers who itemize deductions are not eligible for this new deduction.

#### **No Limit on Cash Charitable Contributions During 2020**

The CARES Act raises the 2020 charitable deduction limit from 60% of a taxpayer’s adjusted gross income (AGI) to 100% of AGI. Gifts must be paid in cash in 2020 to a public charity. Gifts to donor-advised funds are excluded.