

April 2020

Dear Client:

We hope that you are keeping yourself, your loved ones, and your community safe from COVID-19 (commonly referred to as the Coronavirus). Along with those paramount health concerns, you may be wondering about some of the recent tax changes meant to help everyone coping with the Coronavirus fallout. We want to update you on the tax-related provisions for individuals that are included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress's gigantic economic stimulus package that the President signed into law on March 27, 2020.

Recovery rebates for individuals. To help individuals during this time of economic uncertainty, the IRS will send up to \$1,200 payments to eligible taxpayers and \$2,400 for married couples filing joint returns. An additional \$500 will be sent for each qualifying dependent child under age 17 (using qualification rules under the Child Tax Credit).

Individuals with adjusted gross income of \$75,000 or less and couples with an adjusted gross income of \$150,000 or less will receive the full rebate amount. Rebates are gradually phased out with the amount decreasing for each additional \$1,000 earned. Individuals with an AGI of \$99,000 or more and couples with an AGI of \$198,000 or more, will not receive the funding.

The rebates will be paid out in the form of checks or direct deposits. Most individuals won't have to take any action to receive a rebate. The IRS will compute the rebate based on a taxpayer's tax year 2019 return (or tax year 2018, if no 2019 return has yet been filed).

Waiver of 10% early distribution penalty. The additional 10% tax on early distributions from IRAs and defined contribution plans (such as 401(k) plans) is waived for distributions made between January 1 and December 31, 2020 by a person who (or whose family) is infected with the Coronavirus or who is economically harmed by the Coronavirus (a qualified individual). Penalty-free distributions are limited to \$100,000, and may, subject to guidelines, be re-contributed to the plan or IRA. Income arising from the distributions is spread out over three years unless the employee elects to turn down the spread out. Employers may amend defined contribution plans to provide for these distributions. Additionally, defined contribution plans are permitted additional flexibility in the amount and repayment terms of loans to employees who are qualified individuals.

Waiver of required minimum distribution rules. Required minimum distributions that otherwise would have to be made in 2020 from defined contribution plans (such as 401(k) plans) and IRAs are waived. This includes distributions required by April 1, 2020, due to the account owner's having turned age 70 1/2 in 2019.

Charitable Contributions Deduction. The CARES Act allows taxpayers to deduct up to \$300 in charitable cash contributions from their taxable income. The rule will apply only to charitable contributions made in 2020. Taxpayers will be able to claim the deductions on their 2020 income tax returns even if the taxpayer claims the standard deduction and does not itemize deductions.

IRS information site. Ongoing information on the IRS and tax legislation response to COVID-19 can be found at www.irs.gov/coronavirus.

Please feel free to contact us with questions or concerns you may have. We wish all of you the very best during this difficult time.

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