

On March 29, 2020, President Trump signed into law the Coronavirus Aid, Relief, Economic Security Act (CARES) that provides over \$2 trillion in relief to businesses, individuals, states, municipalities and health care providers. Here at Day Seckler, we have attempted to provide what we believe are the most important provisions to our clients, both businesses and individuals.

The situation is developing, before you make any decisions please consult with your tax advisor. We will not cover all 880 plus pages of the bill here, only the highlights that we believe are most pertinent to you, our valued client. If you have a specific question, please reach out to us at 845.765.0705.

This memo today will address the act's impact on individuals:

1. **Unemployment Benefits** – generally adds 13 weeks to your current state rules (NYS is 26 weeks currently) and adds an additional \$600 to the weekly amounts. This incremental amount will last for four months. Certain criteria have been waived to allow applying for and qualifying for much easier and faster. Appears that self-employed and free-lance contract workers will qualify, but check with your unemployment office.
2. **Recovery rebates:**
 - a. \$1,200 per person plus \$500 per qualifying child
 - b. Qualifying taxpayers are under \$75,000 adjusted gross income (\$150,000 for married filing joint). Payments are phased out at \$99,000 per single person and \$198,000 per couple.
 - c. Payments based on 2019 income tax return if filed, or 2018.
 - d. For those that do not file a tax return, but receive Social Security, their payment will be based on their Social Security amounts.
 - e. No repayment even if income changed.
 - f. Payments are due to be made as soon as possible but no later than December 31, 2020.
3. **Retirement Funds:**
 - a. Waives the 10% penalty on qualified plan distributions up to \$100,000 for those under 59 ½ if taken for COVID-19 related hardships. Those who qualify would either have the disease, someone in their immediate family has the disease or someone who has experienced adverse financial hardships as a result of the disease. These amounts may be repaid within three years of the distribution (with no tax implication) or, if not repaid, you may spread the income over three years.
 - b. Required Minimum Distributions (RMDs):
 - i. Not in effect in 2020 for current or new RMDs.
 - ii. If first RMD was scheduled for April 1, 2020, distribution requirement is waived.

- c. Loans – increase the cap on loans from qualified plans from \$50,000 to \$100,000 and 100% of the plan value vs. 50% before. It is uncertain if this is mandatory or optional so please check with your plan sponsor.

4. Students:

- a. For any student loan held by the Federal government, i.e. a direct loan, no payments (principal and interest) are due through September 30, 2020. No interest will accrue on the loan during the suspension period.
- b. Employer payments on an employee's student loan is a tax-free benefit up to \$5,250, decreased by other educational assistance programs. The payment must be made by January 1, 2021. If a payment is made by an employer under this program, the amount of student loan interest deductible by the employee will be reduced.
- c. Work-study funds - allows schools to turn unused work-study funds into supplemental grants and continue paying work-study wages while schools are suspended.
- d. Students who are forced to drop out of school as a result of the coronavirus wouldn't have that time away from school deducted from their lifetime limits on subsidized loan and Pell Grant eligibility. Those students would also not be asked to pay back any grants or other aid they've already received.

5. Income Tax Returns:

- a. All Federal income tax returns due April 15, 2020 have been extended until July 15, 2020. Generally, most states have also extended their due dates.
- b. All payments due April 15th for your 2019 income tax liabilities have been extended to July 15th.
- c. Estimated income tax payments due on April 15th for your 2020 income tax have been extended until July 15th. At this time, estimated payments due June 15th are still due on that date.
- d. If you have a refund for 2019, we urge you to file on time to collect that refund as soon as possible.

6. Insurance Coverage – requires all private insurance plans to cover COVID-19 treatments and vaccine and makes all coronavirus tests free.

7. Charitable Contributions – for taxpayers who do not itemize their deductions anymore, due to changes from the 2017 Tax Cuts and Jobs Act, (in 2018, only 8% of taxpayers itemized their deductions), this bill provides a deduction from income of up to \$300 for a cash charitable contribution. This is only available for taxpayers who take the standard deduction and only for 2020.

Again, if you have any specific questions, please call us at 845-765-0705. We hope you and your families are safe.