



friedman kannenberg
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Updated 3/31/20

On Friday, March 27th, Congress passed and the President signed into law the CARES Act, which included the much anticipated business loan availability being called the Paycheck Protection Program. The CARES Act contains a number of important tax provisions, while the Paycheck Protection Program provision of the CARES Act offers businesses immediate access to liquidity through a new loan program tied to prior year payroll. We have highlighted key details of both below. There are many details of this bill that will be forthcoming, so we will do our best to keep providing updates as they become available to us. Please visit www.fkco.com/covid-19 for additional resources.

General Highlights of the CARES Act

- Tax relief for individuals and businesses and direct cash payments for qualifying individuals
- Temporarily reverses or limits the revenue raising provisions of the Tax Cuts and Jobs Act (the TCJA) and makes several technical corrections to the TCJA
- \$500 billion lending program providing loans, loan guarantees and investments
- Increases unemployment benefits, including “Gig” workers and the self-employed
- Funding to support public health programs, hospitals, medical providers and suppliers
- Protections against certain foreclosures and eviction (and relief for delayed payments)
- Funding for the Emergency Food Assistance Program, SNAP and CNP

Individual Tax Provisions

1. Stimulus Cash Payments

- **IMPORTANT:** You do not need to sign up to receive these payments, they will happen automatically. There are already scams out there where you will get a call, email or text asking for your personal information in order to receive your check/deposit. **THESE ARE SCAMS AND SHOULD BE AVOIDED.**
- All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for the full \$1,200 (\$2,400 married) rebate; plus \$500 per child payment for those eligible. These payments ARE NOT taxable.
- Phased-out completely for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.
- IRS will use taxpayer’s 2019 tax return if filed, or their 2018 return to determine eligibility.

- If you used direct deposit on your most recently filed return (2018 or 2019), the IRS will use that bank information to deposit the funds.
- If you did not use direct deposit, the IRS will mail a check to your most recent address on file.
- The IRS is working on a new electronic payment system if you didn't have direct deposit set up but would prefer to set it up to receive these funds instead of receiving a check in the mail.
- Timing – They expect direct deposit to happen within three weeks. This has yet to be 100% determined and will likely take longer for checks in the mail.
- If you haven't filed 2018 or 2019 tax returns, you will be able to claim these amounts as a refundable credit on your 2020 tax return filed next year.
 - If you don't qualify based on your 2019 adjusted gross income, you may still be eligible for the refundable credit on your 2020 tax return if you fall below the threshold.
 - If you receive this payment based on 2018 or 2019 but your 2020 income is higher, you will not be required to pay any of this back.
- If you or a family member is retired and not required to file a tax return, the IRS will use the information from the social security database to issue checks.
- If you qualify for a payment, you should expect a notice in the mail from the government with information about where and when your check was sent. If you receive the notice but not the check or direct deposit, contact the IRS using information provided in the notice.

2. Unemployment compensation

- It is extremely important to work through your state unemployment office to see which type of unemployment compensation you may be entitled to.
- Once you are on state unemployment, you will be eligible for an additional \$600 per week from the federal government. You will also qualify for this if you are already receiving unemployment.
- **GIG ECONOMY/SELF-EMPLOYED**
 - This bill creates a new program, called Pandemic Unemployment Assistance, that extends benefits to gig workers, contractors and others who wouldn't otherwise qualify for unemployment compensation but cannot work due to the coronavirus emergency.
- If your hours were cut but you are still employed, potential compensation will depend on the state you live in. You should contact your local unemployment office to determine if you are eligible.
- Keep in mind that unemployment benefits are includable as taxable income.

3. Relaxation of restrictions on use of retirement funds

- Consistent with previous disaster-related relief, the provision waives the 10 percent early withdrawal penalty if you are under age 59 1/2 for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020.
- Income attributable to such distributions are subject to tax over three years, and the taxpayer may re contribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions.

- 4. Waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020**
- 5. Provides for a \$300 deduction for charitable contributions for all taxpayers and modifies limitations on charitable contributions made during 2020**
- 6. Consumer protection**
 - Foreclosure and Eviction Moratorium: A servicer of a federally backed mortgage loan may not initiate any foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for 60 days beginning on March 18, 2020.
- 7. Exclusion for certain employer payments of student loans**
 - The provision enables employers to provide a student loan repayment benefit to employees on a tax-free basis.
- 8. Delayed payment for IRS installment agreements or past-due tax accounts**
 - The IRS is suspending payments due on existing installment agreements from April 1 to July 15, but interest continues to accrue on the balance.