



2020 CARES ACT: KEY PROVISIONS

On March 27th, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in response to COVID-19. The \$2 trillion-dollar stimulus package includes a wide range of provisions to help ease the effects of the resulting economic damage caused by the global pandemic. Below is a summary of key provisions. For the full legislative text, please visit congress.gov.

Recovery Rebates

- Refundable income tax credit against 2020 income of up to \$2,400 for married couples filing a joint return. All other filers begin with a refundable credit of up \$1,200. The credit amount then increases by up to \$500 for each child a taxpayer has under the age 17.
- Adjusted gross income threshold amounts: Married Filing Jointly: \$150,000; Head of Household: \$112,500; All Other Filers: \$75,000. Payment is reduced by \$50 for every \$1,000 over threshold amounts.
- Individuals must have a work-eligible Social Security number (and not be claimed as a dependent). They do not need to have had reportable income in 2019 and can also be eligible for other income-benefit programs.

Coronavirus-Related Distributions

- Coronavirus-Related Distributions are distributions of up to \$100,000, made from IRAs, employer-sponsored retirement plans, or a combination of both, which are made in 2020 by an individual who has been impacted by the Coronavirus.
- Distributions are exempt from the 10% penalty, not subject to mandatory withholding requirements, are eligible to be repaid over 3 years, and the income may be spread over 3 years.

Small Business Benefits

- Certain small businesses can qualify for small business loans up to a maximum of the lesser of \$10 million, or 2.5x the average monthly payroll costs. Proceeds can be used for payroll, health care, interest on mortgage obligations, rent, utilities and other debt obligations.
- Such loans, which have an interest rate 0.5%, may be eligible for full or partial forgiveness. Eligible amounts must be spent during the first 8 weeks after the loan is made on payroll costs, rent, utilities, and group health insurance premiums, subject to certain restrictions.
- Payroll tax credit for qualifying businesses not receiving a covered loan (above).
- Employers are eligible to defer payroll taxes from the date of enactment, through the end of the year, until the end of 2021 and 2022.

Unemployment Compensation Benefits

- Regular unemployment compensation is increased by \$600 per week, and the benefit period is extended by 13 weeks.
- Unemployment benefits will be available the first week of unemployment, waiving the normal one-week waiting period.

Other Provisions

- Required Minimum Distributions are waived for 2020, and taxpayers who have already taken their RMDs for 2020 have the options of returning them, if they so desire.
- 2020 is ignored for the purposes of the 5-year rule that applies to non-designated beneficiaries (e.g. charities, estates, non-see-through trusts) who inherit a retirement account from decedents who die prior to reaching their required beginning date.
- New \$300 above-the-line deduction for qualified charitable contributions. The adjusted gross income limit for cash charitable contributions has been temporarily repealed.
- Student loan payments deferred until September 30th, 2020, and employers can exclude student loan repayments from compensation.

Sources: congress.gov (Coronavirus Aid, Relief, and Economic Security Act); www.kitces.com (Michael Kitces)

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