

Finances and COVID-19

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The Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) has provided financial relief in many forms during the coronavirus pandemic. There have been many summaries about the CARES Act. Instead of summarizing every part of the CARES Act, we will outline some of the major provisions that are likely to impact our clients, former clients or potential clients. The provisions of the CARES Act do not always apply to each individual situation in the same way. If you would like to know more information about how the CARES Act could impact you personally, the attorneys Gehris & Associates, LLC are available to discuss these matters with you.

The CARES Act allocates funds for use by small businesses to use to pay salaries, mortgage payments, rent, utilities and other debt obligations. This debt may be fully forgiven. For divorcing clients where a small business interest is part of the marital estate, taking a small business loan may change the value of the business for the purposes of determining the proper division of this marital asset. Also, changes in the income stream, may be a factor in valuing the business. It is important to look closely at how COVID-19 and any required business loans may impact not only the value of the business but also any income for the purposes of determining support.

Recovery rebates for individuals, or what has commonly been referred to as stimulus checks, were part of the relief provided in the CARES Act. These payments are considered a tax credit for tax year 2020. The CARES Act provided for a payment of \$1,200 for an individual or \$2,400 for a joint return and an additional \$500 for each qualifying child. The funds are expected to be direct deposited into a bank account on record with the IRS or payable by paper check. However, based on the fact that the federal government worked to put the CARES Act in place quickly and provide relief, there is little guidance in the act itself regarding how to address the recovery rebates for divorced/divorcing parties. What happens if the funds are deposited into a joint account that both parties no longer have access to? What if that account is now closed? What if the other spouse receives the entire recovery rebate and refuses to provide any portion to the other spouse? These are questions that we are following, researching and currently assisting our clients in resolving.

The CARES Act provides a benefit to individuals with retirement accounts, specifically 401(k) accounts. There are certain requirements that must be met in order for the specific provisions regarding receipt of funds to apply as it must be a “coronavirus-related distribution”. The amount that is typically required to be included in gross income can be spread over 3 taxable years. Additionally, the loan limit has been increased to \$100,000.00 and the due date for repayment may be extended even on existing loans. The changes in how distributions and loans are treated from retirement accounts may impact the division of the marital assets in a divorce. This may provide options for division of the marital estate or payment of debts. As there are certain requirements, this should be done under the guidance of an attorney and/or financial advisor.

Student loan payments of principal and interest have been suspended on certain federal student loans. There are certain provisions that are included in the CARES Act for students who have been impacted by coronavirus. For parents who are under an obligation to contribute to

college expenses for their children or parents who are considering contributing to college expenses, this may impact those obligations.

Income for the purposes of support may be impacted by job loss, salary reductions, furloughs and other coronavirus-related issues. The CARES Act provided federal funding for unemployment benefits for employees that have been impacted by COVID-19. Employees that are not eligible for state provided unemployment benefits may be eligible for assistance under the CARES Act. Additionally, employees who are receiving unemployment will be eligible to receive \$600/week in additional funds for up to 4 months. Unemployment benefits can also be extended up to 13 weeks after the state employment benefits are exhausted. These additional funds may be a factor in determining support modifications or the setting of initial support.

It is important to consider the impact that the CARES Act may have on the financial aspect of any divorcing or divorced couple even if COVID-19 has not had a significant impact. Gathering information and assessing the options as it applies to your individual circumstances will be imperative due to the coronavirus pandemic. Our attorneys are prepared to help make informed decisions to help select the best route and approach to address your concerns.