

# CARES Act

## Individual Provisions



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### Cash Payments

- \$1,200 to individuals earning less than \$75,000, phases out at \$99,000
- \$2,400 for married filing joint earning less than \$150,000, phases out at \$198,000
- \$500 per dependent child



### Charitable Donations

- Allows taxpayers to take an above-the-line tax deduction for charitable contributions of up to \$300 for the tax year beginning in 2020
- The percentage and excess carryover restrictions on charitable and other “qualified contributions” (e.g. A contribution to a corporation, trust, a state, or an organization of war veterans, etc.) are disregarded (some exclusions)

### Tax Returns

Filing and payment deadlines for federal tax returns have been extended to July 15<sup>th</sup>.

### Extra Unemployment

- Bill adds \$600 per week from the Federal Government on top of the base amount that the unemployed worker receives from their state
- Boosted payments will last for 4 months
- Adds 13 weeks of unemployment insurance - People currently nearing max will receive an extension and new filers receive benefit for a longer period
- Self-employed, freelancers and contractors typically can't apply for unemployment, but **can** through the end of the year

### Student Loans

- Employers can provide up to \$5,250 in tax-free student loan repayment benefits to employees. Employer can repay loans for employee and it's not included as income to employee.
- All loan and interest payments can be deferred through September 30<sup>th</sup>, without penalty to borrower, for all federal student loans.
- Borrowers who have defaulted on their federal student loans will get a temporary reprieve from having their wages, Social Security benefits and tax refunds garnished by the federal government. This break will last for a minimum of 60 days, beginning March 13.

### Disaster Relief Payments

Employer may make “qualified disaster relief payments” to employees that are tax free to the employee but deductible to the employer. These generally include any amount paid to or for the benefit of an individual to reimburse or pay reasonable and necessary personal, family, living or funeral expenses incurred as a result of a “qualified disaster” to the extent it is not covered by insurance or is otherwise reimbursable. It appears that shelter in place orders meet the definition of a qualified disaster. Payments made to replace lost income (sick leave and family medical leave) do not count.

# Retirement Account Special Treatment



- 10% early withdrawal penalty from qualified retirement accounts is waived for distributions of up to \$100,000 if a withdrawal from a retirement account is for a coronavirus-related distribution. A coronavirus-related distribution is defined as a distribution made to an individual:
  - ✓ Who is diagnosed with COVID-19,
  - ✓ Whose spouse or dependent is diagnosed with COVID-19, or
  - ✓ Who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary
- The time period in which to pay the income tax attributable to a coronavirus related distribution is extended to allow for payments of this tax over three years. Taxpayers may re-contribute the funds withdrawn for a coronavirus-related distribution within three years without regard to that year's cap on contributions.
- Retirement plan loan limitations increased to the lesser of \$100,000 or 100% of participant's vested account balance and delay the start of those loan payments for one year.
- It waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020.



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