

Legislative and Regulatory Update

UNDERSTANDING THE CARES ACT

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Congress Enacts The CARES ACT

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

- \$2 trillion relief and stimulus bill – the largest in American history
- Designed to provide cash, loans, and tax breaks to individuals, small and large businesses, hospitals, and state governments to combat the effects of COVID-19
- Passed by the Senate and the House of Representatives in nearly unanimous bipartisan fashion
- Signed into law by the President on March 27, 2020
- This is the first, but not necessarily the last, package to be passed due to COVID-19

Major Provisions

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

- Recovery rebates
 - \$1,200 checks for individuals and \$500 for dependent children
- Retirement plan distributions
 - Coronavirus-related distributions of \$100,000
- Unemployment benefits
 - Benefits expanded and increased
- Small business benefits
 - Loans and tax breaks to cover payroll, rent, and utilities
- Other
 - 2020 RMD waiver, direct federal student loan payment suspension

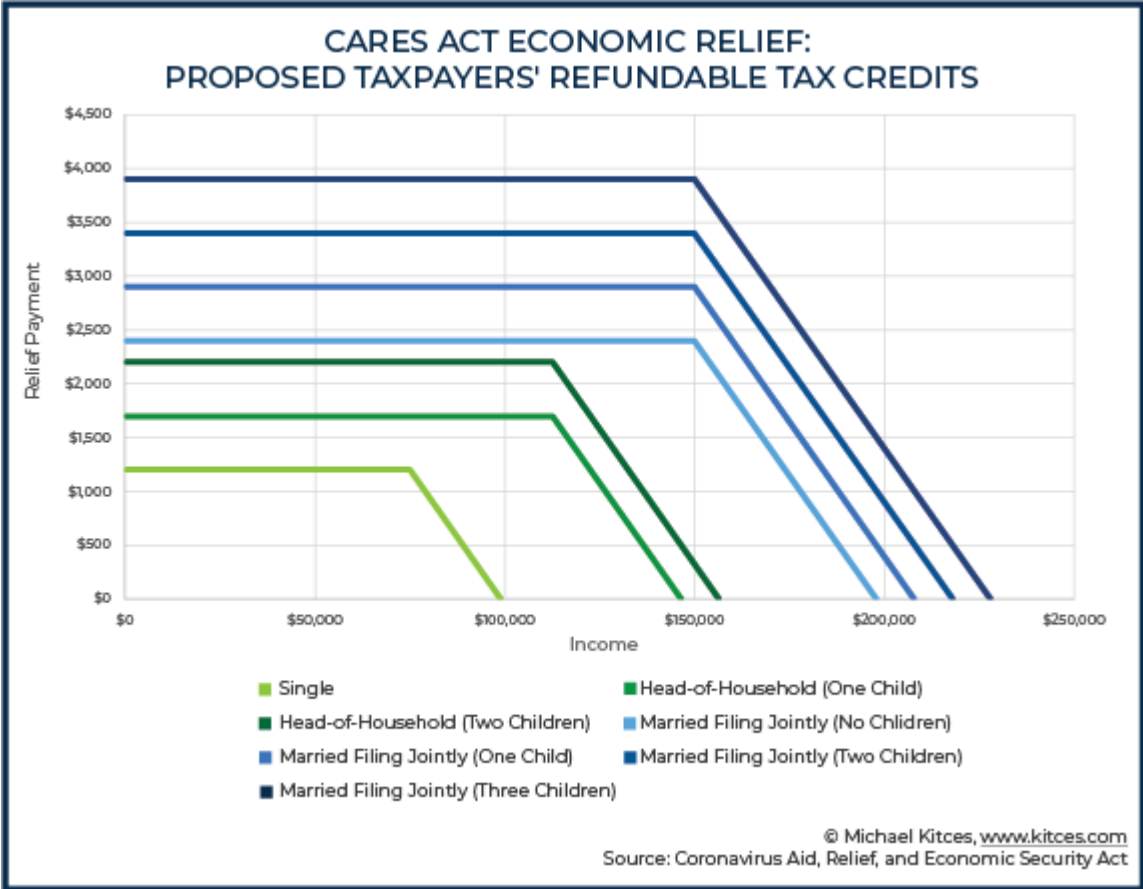
Recovery Rebates

\$1,200 CHECKS FOR INDIVIDUALS AND \$500 FOR DEPENDENT CHILDREN

- Benefits are non-taxable and most recipients do not need to apply
- Phase-out ranges to receive benefits:
 - Individual: \$75,000-99,000 adjusted gross income (AGI)
 - Married filing jointly: \$150,000-\$198,000 AGI
 - Those below the phase-out range receive full \$1,200 and \$500 checks per person and dependent, while those above the range receive none. Those within the phase-out range receive proportional checks.
 - Based on 2019 income (2018 for those yet to file)
 - Early issuance of a refundable income tax credit against 2020 income
 - Those who receive less than the whole benefit based on 2019 income but suffer income drops in 2020 can receive more when they file 2020 taxes
- Payments expected in 3-6 weeks for most individuals
 - Cash direct-deposited for those with direct deposit info filed with the IRS
 - Paper checks will be issued for all qualifying others with Social Security numbers, no 2019 reported income required

Recovery Rebates

\$1,200 CHECKS FOR INDIVIDUALS AND \$500 FOR DEPENDENT CHILDREN



Retirement Plan Distributions

CORONAVIRUS RELATED DISTRIBUTIONS OF \$100,000

- Coronavirus-related taxable distributions from IRAs and employer-sponsored retirement plans are now allowed
 - Maximum of \$100,000
 - 10% early withdrawal penalty waived
 - Exempt from mandatory withholding requirements of 20%
 - Income from distribution can be spread over 3 years
 - Eligible to be repaid over 3 years
 - Plan sponsor has to adopt provisions for employer-provided plans
- Available to those who:
 - Have been diagnosed with COVID-19, or spouse or dependent has been
 - Endure financial hardship due to furlough, quarantine, or reduced work hours due to the disease
 - Own a business with reduced hours or complete closure due to the virus
 - Are unable to work because of no access to child care

Retirement Plan Distributions

CORONAVIRUS RELATED DISTRIBUTIONS OF \$100,000

- Retirement Account Loan Maximum *Increase*
 - Applies to employer-provided qualified plans, like 401(k)s
 - New \$100,000 limit, up from \$50,000 previously
 - 100% of vested balance can be used, up from 50% previously
 - Payments back to the plan are delayed for 2020

Unemployment Benefits

BENEFITS EXPANDED AND INCREASED

- One week waiting period for receiving benefits is *eliminated*
- Exact benefit calculations vary from state to state
- Up to four months of state unemployment benefits *increased* by \$600 more per week with federal dollars
 - Increased benefit amounts last through 7/31/2020
 - Previous average weekly unemployment benefit was \$400 per week
- Unemployment benefit period *increased* by 13 weeks (3 months)
 - Previous average benefit period was 26 weeks
- Self employed individuals *now qualify* for unemployment benefits, in addition to other workers (furloughed, part-time, and gig workers like Uber drivers)
 - Eligible for 39 weeks of benefits
 - 50% of average state benefits plus \$600/week provision
 - Paid by federal dollars, in place through 12/31/2020

Unemployment Benefits

BENEFITS EXPANDED AND INCREASED

- Be sure to check both your state and federal benefits, as they can be different in payout and eligibility
- How to find out if you're eligible:
 - Check your state's department of labor for state unemployment benefits
 - <https://www.careeronestop.org/WorkerReEmployment/UnemploymentBenefits/how-do-i-apply.aspx>
 - Check the U.S. Department of Labor for federal benefits
 - <https://www.dol.gov/>

Small Business Benefits

LOANS AND TAX BREAKS TO COVER PAYROLL, RENT, AND UTILITIES

- Paycheck Protection Program
 - Available to business with fewer than 500 employees
 - Borrowers make a good-faith claim that the loan is due to COVID-19 and its economic impact
- Small Business Administration (SBA) 7(a) loans now available with maximum amounts of the lesser of:
 - \$10 million
 - 2.5 average monthly payroll costs from the previous year, excluding compensation over \$100,000 per person
 - Can be used for payroll, rent, mortgage interest, utilities, group health insurance premiums, etc.
 - Maximum interest rate is 4%
 - Payments for loan deferred between 6 and 12 months
 - More guidance to be provided on exact payment deferral structure

Small Business Benefits

LOANS AND TAX BREAKS TO COVER PAYROLL, RENT, AND UTILITIES

- **Potential Loan *Forgiveness***
 - First 8 weeks of expenses are eligible for forgiveness on the following expenses:
 - Payroll (excluding compensation over \$100,000 per individual), rent, utilities group healthcare premiums
 - Must retain same number of employees from 2/15/2020 through 6/30/2020 as the company did in either the same time period in 2019 or from 1/1/2020 through 2/15/2020
 - Debt forgiven not included in taxable income for 2020
- **Employee Retention Credit**
 - Payroll tax credit available to businesses that *do not* take a SBA 7(a) loan
 - *To be eligible*, companies must have operations be at least partially suspended as a result of government authority, or revenue in a quarter must be at least 50% less than the same quarter from 2019
 - Credit is calculated by 50% of wages paid to each employee with a maximum of \$10,000 per employee

Small Business Benefits

LOANS AND TAX BREAKS TO COVER PAYROLL, RENT, AND UTILITIES

- **Deferral of Payroll Tax Payments**
 - *Available to businesses that do not have debt forgiven by CARES Act-authorized loans under the SBA*
 - Payroll taxes from 3/27/2020 through 12/31/2020 may be deferred
 - 50% of deferred payroll taxes are due on 12/31/2021
 - Remaining 50% of deferred payroll taxes are deferred until 12/31/2022
 - Applies to employer equivalent for self employed individuals as well
- **Net Operating Loss (NOL) Changes**
 - NOLs from 2018, 2019, and 2020 can now be carried back five years
 - Can result in reductions from previous years' tax liabilities, and possibly refunds
 - NOLs can now offset 100% of taxable income, up from 80%

Other Provisions

2020 RMD WAIVER, DIRECT FEDERAL STUDENT LOAN PAYMENT SUSPENSION

- **2020 Required Minimum Distribution (RMD) *Waiver***
 - All 2020 RMDs are *waived* from IRAs, SEP IRAs, SIMPLE IRAs, 401(k), 403(b), and Govt. 457(b) plans
 - Applies to 2020 RMDs and other RMDs to be taken in 2020
 - Applies to some individuals who turned 70 ½ in 2019 but have not yet taken the 2019 RMD in 2020. Does not apply to RMDs actually taken in 2019.
 - **Already taken 2020 RMDs can be returned**
 - If the 2020 RMD was unnecessary or unwanted, individuals can return the withdrawal back to the account
 - A check or electronic transfer can return the balance to the account
 - *Does not apply* to Inherited IRA RMDs for beneficiaries

Other Provisions

2020 RMD WAIVER, DIRECT FEDERAL STUDENT LOAN PAYMENT SUSPENSION

- Federal student loan payment *suspension*
 - Applicable only to direct *federal* student loans
 - Payments can be deferred until 9/30/2020
 - Interest accrual is paused during this period
 - Borrowers must take proactive steps to pause payments with their loan provider
 - Borrowers in a loan forgiveness program can continue to accumulate time during this period, despite pause in payments
 - Employers can exclude student loan payments for employees from compensation
 - Up to \$5,250 per employee, program applies through 12/31/2020
 - Applies to involuntary debt collection, including wage garnishing

Other Provisions

2020 RMD WAIVER, DIRECT FEDERAL STUDENT LOAN PAYMENT SUSPENSION

- 2020 is ignored for those electing the “5-Year Rule”
 - For non-designated beneficiaries of retirement accounts
- *New* above-the-line charitable contribution deduction
 - \$300 in qualifying charitable contributions can be deducted from income
 - Those who take the standard deduction can now benefit from charitable contributions
- AGI limit of cash charitable contributions *increased* for 2020
 - Increased to 100% of AGI, up from the previous 60% cap
 - Contributions made over 100% of AGI can be carried forward up to 5 years
 - *Cannot* be used to fund a Donor Advised Fund (DAF)

QUESTIONS?

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