

The CARES Act AND ITS IMPLICATIONS

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act, **a historic \$2 trillion dollar emergency fiscal stimulus package** and the third piece of major legislation passed since the coronavirus outbreak began.

The CARES Act is sweeping in scope. Here a few of the most important provisions as they pertain to individuals.

Refundable Income Tax Credit

- \$1,200 for single filers earning up to \$75,000 adjusted gross income (AGI)
- \$2,400 for married filing jointly up to \$150,000 AGI
- \$500 child credit for each child under the age of 17
- Credit reductions of \$50 per \$1000 over the threshold amounts
- Credits will be given based on the most recent tax filing (2018 or 2019)

IRAs and employer-sponsored retirement plans for those impacted by the coronavirus

- Elimination of the 10% early withdrawal penalty
- Up to \$100,000 withdrawn from one or a combination of plans
- No mandatory 20% income tax withholding
- The income and associated taxes can be spread across three years
- The distribution can be rolled back into the plans within three years, eliminating the income tax exposure

Rule changes on loans from employer-sponsored retirement plans

- Maximum loan increased from \$50,000 to \$100,000
- Payments on loans can be delayed for one year
- All loan changes should be confirmed with employer

Individuals can forego Required Minimum Distribution (RMDs) for 2020

- Includes RMDs for owners and beneficiaries of inherited retirement plans
- Those that turned 70 ½ in 2019 and have not taken their 2019 RMD may waive their 2019 RMD
- Those that turned 70 ½ in 2019 and took their first RMD in 2019 cannot undo that RMD

The five-year rule for designated beneficiaries (charities, estates and certain trusts) is ignored in 2020

- Refers to inherited accounts from decedents who die prior to reaching their required beginning date
- The five-year rule would begin in 2021

Over-the-counter medications now qualify as medical expenses

- Health savings accounts (HSAs) and flexible spending accounts (FSAs) can be used for over-the-counter medications

If you have any questions about the CARES Act or its implications in regards to your financial planning, please contact us today.