



I receive so many questions on the new tax act that I thought I'd put all the basics here in a long, but hopefully informational email to you all. Please read and if you still have questions let me know.

These are the benefits the CARES Act gave for Individual on March 27, 2020. Please note this is a little over a week old law and the implementation and interpretation keeps changing daily. I will post as many infographics, decision trees and links to my webpage in the coming week and will try to update it as often as I can.

1. Unemployment Compensation

The CARES Act added a federally funded \$600 per week on top of your state's normal contribution from April 1 through July 31.

In addition, when the normal unemployment benefits run out (depends on your state) the federal government will pay an additional 13 weeks at the state rate (not the additional \$600).

Self Employed persons are eligible for the federally funded \$600 and should apply regardless of whether they have been employed before or not.

CAVEAT 1: You must be let go from work, have no jobs/projects and unable to telework in order to get the benefits. Implementation is going relatively fast, but the federal and state governments have indicated they will be examining the payouts for fraud when things slow down.

CAVEAT 2: If you are self-employed and apply for these benefits you could lose the opportunity to take payroll tax credits or the PPP loan so be sure to calculate and

analyze which benefit works
better for you.

CAVEAT 3: The states have 30 days to create or fix their Emergency Management Plan to accommodate this law. Payments would still be retroactive, if appropriate, however they won't start until your state has implemented its program. Check with your state, and apply as soon as you are unemployed and unable to work/telework if you have decided to take advantage of the program

CAVEAT 4: Remember that Unemployment compensation is taxable, including the added \$600 per week

2. Payment Protection Program and Economic Injury Disaster Loan

These programs are really fluid right now, but if you are self employed both offer some really good options if you qualify. Check the SBA site to apply for the Economic Injury Disaster Loan. Check with your lender for the PPP loan. Self Employed PPP starts either April 10 or 13, the date seems to change. This loan is subject to Lender underwriting. I'll post the basics on my site this week. If you have further questions call me to book a phone appointment so we can work it out.

CAVEAT 1: The uses of these loans are specific uses and each one is different

CAVEAT 2: While it appears they are forgiving the payroll and rent expenses paid from this loan, there is question as to what is considered payroll expenses and what kind of rent/mortgage interest are forgiven. Self rentals or Office In Home is currently not clear. Still the loan comes with a 1% rate to be used for these items so even if not forgiven, its a low rate if you qualify.

CAVEAT 3: Participating in these programs could exclude you from other benefits

3. Retirement Plans

For the year 2020 there are no Required Minimum Distribution requirements so if you don't need to take a distribution, you can choose not to this year particularly if your retirement investments have taken a huge hit in the stock market.

In addition, you may qualify to take up to \$100,000 distribution from your current plan and repay it in three years so no immediate tax or penalties. Or you can pay the tax over the next three years as well (through 2022). This must be due to a Coronavirus diagnosis for you, your spouse or immediate family OR due to adverse financial consequences of the Coronavirus emergency.

There was another option in the SECURE Act that passed last December that got little attention, you can withdraw free from penalty up to \$5,000 per individual per child for any child born within 12 months of the distribution or any adoption completed in that twelve months. Taxes still apply but it is excluded from penalties.

4. Payroll Retention Credit and Payroll Tax Deferral

Available to Self Employed persons as well. If your business is fully or partially suspended due to the CoronaVirus you may be entitled to a credit of 50% of the wages you pay. There are rules for this but it is available as an option, particularly if you don't qualify for the emergency loans.

In the event that you cannot pay the employers 6.2% share of FICA tax (SE Tax) you may qualify for deferral of those taxes and repayment of the taxes 1/2 by 2021 and 1/2 by 2022.

CAVEAT: you cannot take advantage of these credits if you receive PPP or EIDL

5. Student Loans

If you have a federally backed student loan, all payments have been suspended until 9/30 and interest should not accrue. This does not include any PLUS loans or Perkins loans.

Wage garnishments for these student loans should also stop until 9/30.

6. Charitable Contributions

Beginning 2020, monetary contributions to recognized 501c3 organizations up to \$300 will be allowed as an "over the line" adjustment. That means you can take up to \$300 in money contributions even if you don't itemize but you still will need receipts.

If you do itemize, for the year 2020 only, there are no income limitations to the amount you can donate for monetary contributions.

CAVEAT: The law specifically says monetary donations, and does not include donations of "things"

7. NOLs

In the 2018 Tax Cuts and Jobs Act NOLs were no longer allowed to be carried to prior years and could only offset 80% of your income.

The CARES Act eliminates those restrictions for 2018, 2019 and 2020 tax returns. Those who could have carried back losses but have already filed their returns can amend to take the loss carryback.

These are just some of the items I have received questions on. If you have further questions pertaining to your particular situation after reading this please feel free to email me.

Best Regards and stay safe and healthy!

Susan
