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COVID-19 Relief Overview Guide for Individuals

While legislation is continually changing, below are beneficial highlights of the Coronavirus Aid, Relief & Economic Security Act (CARES). The devil is in the detail, so be sure to speak with your BLS Team Member, attorney, human resources advocate, payroll company, and other resources before you take steps in this process.

Economic Impact Payments

The IRS will be making millions of "economic impact payments" (also called "recovery rebates") in the coming months to help people stay afloat during this time of economic uncertainty related to the COVID-19 crisis. Here's what you need to know about this program.

- > **Amount of payment**
 - IRS started making payments of up to \$1,200 to eligible taxpayers or up to \$2,400 to married couples filing joint returns. Parents will get an additional \$500 for each dependent child under age 17. Thus, the payment for a married couple with two children under 17 will be \$3,400.
- > **Eligibility**
 - U.S. citizens and residents are eligible for a full payment if their adjusted gross income (AGI) is under \$75,000 (single or married filing separately), \$122,500 (head of household), and \$150,000 (joint filers). The individual must not be the dependent of another taxpayer and must have a social security number that authorizes employment in the U.S.
- > **Phaseout based on income**
 - For individuals whose AGI exceeds the above thresholds, the payment amount is phased out at the rate of \$5 for each \$100 of income. Thus, the payment is completely phased out for single filers with AGI over \$99,000 and for joint filers with no children with AGI over \$198,000. For a married couple with two children, the payment will be completely phased out if their AGI exceeds \$218,000.
- > **How to get a payment**
 - Rebates will be paid out in the form of checks or direct deposits. Most individuals won't have to take any action to receive a rebate, but some seniors and others who typically do not file returns will need to submit a simple tax return to receive the stimulus payment. Social Security recipients will automatically receive the stimulus payment without having to file a simple tax return. Low-income taxpayers, senior citizens, Social Security recipients, some veterans, and individuals with disabilities who are otherwise not required to file a tax return will not owe tax on the stimulus payment.

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- IRS will compute the rebate based on a taxpayer's tax year 2019 return (or tax year 2018, if no 2019 return has yet been filed). If no 2018 return has been filed, IRS will use information for 2019 provided in Form SSA-1099, Social Security Benefit Statement, or Form RRB-1099, Social Security Equivalent Benefit Statement.
 - IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. To speed receipt of payment, taxpayers are advised to include direct deposit banking information on the return.
 - The Treasury developed a web-based portal called [Get My Payment](#) for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail.
 - Economic impact payments will be available throughout the rest of 2020.
- > **Payments nontaxable**
- Economic impact payments will not be included in the recipient's income for tax purposes.

Waiver of 10% Early Distribution Penalty

The additional 10% tax on early distributions from IRAs and defined contribution plans (such as 401(k) plans) is waived for distributions made between January 1 and December 31, 2020 by a person who (or whose family) is infected with the Coronavirus or who is economically harmed by the Coronavirus (a qualified individual). Penalty-free distributions are limited to \$100,000, and may, subject to guidelines, be re-contributed to the plan or IRA. Income arising from the distributions is spread out over three years unless the employee elects to turn down the spread-out. Employers may amend defined contribution plans to provide for these distributions. Additionally, defined contribution plans are permitted additional flexibility in the amount and repayment terms of loans to employees who are qualified individuals.

Waiver of Required Distribution Rules

Required minimum distributions that otherwise would have to be made in 2020 from defined contribution plans (such as 401(k) plans) and IRAs are waived. This includes distributions that would have been required by April 1, 2020, due to the account owner's having turned age 70-1/2 in 2019.

Charitable Deduction Liberalizations

The CARES Act makes four significant liberalizations to the rules governing charitable deductions:

- (1) Beginning in 2020, individuals will be able to claim a \$300 above-the-line deduction for cash contributions made, generally, to public charities in 2020. This rule effectively allows a limited charitable deduction to taxpayers claiming the standard deduction.
- (2) The limitation on charitable deductions for individuals that is generally 60% of modified adjusted gross income (the contribution base) doesn't apply to cash contributions made, generally, to public charities in 2020 (qualifying contributions). Instead, an individual's qualifying contributions, reduced by other contributions, can be as much as 100% of the contribution base. No connection between the contributions and COVID-19 activities is required.
- (3) Similarly, the limitation on charitable deductions for corporations that is generally 10% of (modified) taxable income doesn't apply to qualifying contributions made in 2020. Instead, a corporation's qualifying contributions, reduced by other contributions, can be as much as 25%

of (modified) taxable income. No connection between the contributions and COVID-19 activities is required.

- (4) For contributions of food inventory made in 2020, the deduction limitation increases from 15% to 25% of taxable income for C corporations and, for other taxpayers, from 15% to 25% of the net aggregate income from all businesses from which the contributions were made.

Exclusion for Employer Payments of Student Loans

An employee currently may exclude \$5,250 from income for benefits from an employer-sponsored educational assistance program. The CARES Act expands the definition of expenses qualifying for the exclusion to include employer payments of student loan debt made before January 1, 2021.

Break for Remote Care Services Provided by High Deductible Health Plans

For plan years beginning before 2021, the CARES Act allows high deductible health plans to pay for expenses for telehealth and other remote services without regard to the deductible amount for the plan.

Break for Nonprescription Medical Products

For amounts paid after December 31, 2019, the CARES Act allows amounts paid from Health Savings Accounts and Archer Medical Savings Accounts to be treated as paid for medical care even if they aren't paid under a prescription. And, amounts paid for menstrual care products are treated as amounts paid for medical care. For reimbursements after December 31, 2019, the same rules apply to Flexible Spending Arrangements and Health Reimbursement Arrangements.

Pandemic Unemployment Assistance

Pandemic unemployment assistance is available retroactively to January 27, 2020 through December 31, 2020 if the unemployment, partial unemployment, or inability to work caused by COVID-19 continues. A maximum of 39 weeks of unemployment assistance is available. The amount of assistance is capped at the amount equal to the amount authorized under the state unemployment compensation law, plus an additional \$600 per week until July 31, 2020.

Each state creates and administers its own program for pandemic unemployment assistance. To determine how to apply and your eligibility for the assistance, visit the website for the state agency responsible for administering your state's assistance program. A [Department of Labor sponsored website](#) has information and links for each state.

Mortgage Loan Postponement

If you own a home with an outstanding mortgage loan, contact the institution that services your loan to determine your eligibility to postpone loan payments. Borrowers of government-backed mortgages (Fannie Mae, Freddie Mac, HUD, VA, and USDA) can request payment forbearance for up to 360 days. Proof of hardship isn't necessary. No additional fees, interest, or penalties can be assessed for the payment forbearance. In addition, except for abandoned or vacant property, no foreclosure actions on federally backed mortgages can take place for 60 days after March 18, 2020.

Our Business Advisory Team can provide business contingency planning, PPP consulting, and COVID-19 consulting services specific to your needs.

Contact BLS at 302.225.0600 or info@belfint.com.

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