



CARES Act and other stimulus for Individuals

Tax guidance during the COVID-19 Outbreak



We are facing uncertain times...

COVID-19 is forcing all businesses and individuals to adjust in a multitude of ways. We all are rightfully concerned what this means as we navigate this unprecedented period.

Our mission is to help you thrive. Details are changing rapidly, but below is the latest on what we know. Please share this information with those you care about. Check our blog for updates at CoreFR.com/blog.

To your health,

Mark E. Clark CPA, PSC

Here are the changes you should be aware of: Click to navigate to each section.

1. **Delayed** filing and payment date
2. **Stimulus** payments
3. **Charitable contributions**
4. Suspension of **student loan payments**
5. Expansion of **unemployment insurance** eligibility
6. Retirement account **distributions**
7. Suspension of **IRS collection** activities
8. **Miscellaneous** provisions

1. Delayed filing and payment date

Internal Revenue Service

Individual tax return filing and payment date has been moved from April 15th to July 15th. Estimated payments from April 15th have also been postponed. For detailed information visit IRS FAQ at <https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers>.

Note: IRA Contribution deadline was also part of the extension.

Note 2: The June 15th estimated tax deadline has not been extended at this time.

SC Department of Revenue

Individual tax return filing and payment date have been extended to match the IRS due date of July 15th.

Other States

Many states are following the IRS's lead. For details on any specific state, the AICPA is maintaining a comprehensive list [here](#) and the Tax Foundation has one [here](#).

2. Stimulus Payments

Rumors and conjecture are traveling rapidly. You'll find the most up to date information from the horse's mouth (the IRS itself) at <https://www.irs.gov/coronavirus>.

Who?

IRS will use your 2019 if already filed or your 2018 tax return.

Note: Despite options given by the bill, IRS.gov states "People who typically do not file a tax return will need to file a simple tax return." We don't know what that looks like just yet.

Note 2: It's not clear what cutoff date IRS will use for filed 2019 returns. So file fast if 2019's tax return will get you a larger check than 2018's tax return.

How Much

<u>Filing Status</u>	<u>Base Amount</u>	
Single	\$1,200	PLUS \$500 per child
Married	\$2,400	

Note: Child is defined as those under 17 as of 12/31/2020.

The amount received will be reduced by \$5 for every \$100 of adjusted gross income (AGI) in excess of the threshold amount.

<u>Filing Status</u>	<u>Threshold Amount</u>
Single	\$75,000
Married Filing Joint	\$150,000
Head of Household	\$112,500

When

As soon as possible! IRS will mail a notice to the taxpayer within 15 days of payment with details.

How

IRS wants to direct deposit this money since it has limits check mailing capacity. It is planning on developing a web site for you to update your banking information.

2020 Tax Return

This is an advance payment of a new tax credit for 2020, and it's not income that will be taxed later. If you don't get the amount you deserve, you'll get more money when you file next year.

Note: While unclear, we don't expect you to pay back excess you receive now. No formal guidance has been issued just yet.

3. Charitable Contributions

The act allows for an "above-the-line" deduction of up to \$300 that will reduce your AGI. This new deduction permanent tax law (not limited to 2020 tax returns).

Note: We expect this will lower your income and allow for a higher subsidy for Marketplace based health insurance.

4. Student Loan Payments

Federally held student loan payments (principal and interest) as suspended through September 30th, 2020. This will be done automatically, no action is required on the borrowers behalf. Private student loans are up to the individual servicer. Details from the Department of Education can be found at <https://studentaid.gov/announcements-events/coronavirus>.

5. Unemployment Benefits

Many self-employed individuals (including independent contractors) are now eligible for benefits if they have been affected by COVID-19. The list of "covered individuals" is long but does not include those who can work from home or who are receiving paid leave. Contact your local unemployment office for more details.

6. Retirement Plans

Early Withdrawals

The 10% early withdrawal penalty is waived for up to \$100,000 distributed from qualified retirement plans for virus related distributions (Those who experience adverse financial consequences due to the virus.).

Additionally, any income from an early withdrawal is subject to tax over a three-year period. You may re-contribute the withdrawn amounts during the three years as well.

Note: Your tax advisor will be instrumental in helping you determine the optimal three-year strategy to minimize income tax.

Required Distributions

All required minimum distributions (RMDs) have been waived for 2020.

Note: If you took your RMD within the last 60 days, you may return it.

7. IRS Collections

Collections

IRS is generally suspending all new collection activity. New audits and examinations will not be started, and new cases will not be forwarded to collections. Details can be found at <https://www.irs.gov/newsroom/irs-unveils-new-people-first-initiative-covid-19-effort-temporarily-adjusts-suspends-key-compliance-program>

Installment Agreements

For existing installment agreements, payments between April 1 and July 15th are suspended.

Note: Those with direct debit installment agreements “may suspend payments during this period if they prefer.” While unclear, we believe you must contact the IRS for this suspension.

8. Miscellaneous provisions

- A safe harbor from the definition of a high deductible health plan permitting telehealth services to be included, even though such services do not carry a deductible;
- The inclusion of over-the-counter menstrual products as qualified medical expenses for purposes of distributions from health savings accounts and health flexible spending arrangements;

The information enclosed within is provided on a best effort and general basis. Don't rely solely on the information contained within. Contact Mark E. Clark CPA, PSC for how each provision may relate to your specific situation before making decisions.