

TAX ALERT

PERIODIC REPORT ON NEW TAX DEVELOPMENTS

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The *Tax Alert* is a periodic publication from the firm for clients, friends and business associates. We will bring to your attention new developments in taxation, focusing on individual, estate and gift taxes.

A Note to Our Friends and Clients

As we navigate through these new and rapidly-changing times, we want you to know that we are thinking of you and hoping that you and your families are staying healthy and safe.

There has been substantial legislation passed in recent weeks, the latest of which was on Friday, March 27, 2020, when the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law. This is a \$2 trillion stimulus package. In addition to relief for small and mid-size businesses, it provides substantial relief to individuals.

CARES Act Relief for Individuals

Economic Impact Checks

Within the next three weeks, the IRS will begin to issue rebate checks to many taxpayers in the following amounts:

- \$1,200 per taxpayer (\$2,400 if married)
- \$500 per qualifying child

The payments are subject to income limitations. If your adjusted gross income (AGI) exceeds \$75,000 (\$150,000 if married filing jointly), then the payments will be reduced by \$5 for each \$100 above those limits. The payments are completely phased out once the AGI reaches \$99,000 (\$198,000 if married filing jointly). The IRS will use the AGI on your 2019 tax return, if filed. Otherwise, they will use the AGI on your 2018 tax return.

For most people, these checks will be issued automatically with no action needed. For some seniors and others who typically do not file tax

returns, they will need to submit a simple tax return in order to receive the stimulus payment. The IRS will issue instructions for these simple tax returns in the near future.

The IRS will use your 2019 tax return, if already filed, to determine your payment. If your 2019 tax return has not yet been filed, they will use your 2018 tax return. They will send your payment

using the information on the most recent tax return (i.e., mailing address, direct deposit bank information).

The IRS is developing a web-based portal for individuals to provide their banking information in order to receive direct deposit rather than checks in the mail. This portal should become available in the next few weeks. Otherwise the checks will be mailed to the address on your 2019 tax return, if filed, or your 2018 return. (As always, please exercise caution any time you provide personal information on the internet.)

Nonresident aliens and taxpayers who are able to be claimed as a dependent on another person's tax return will not be eligible for a rebate check.

Retirement Plans

- For 2020, the required minimum distribution (RMD) requirement is suspended for IRA's and certain defined contribution plans.
- The CARES Act waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes. Taxpayers would be able to recontribute the funds to an eligible retirement plan within three years and

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without regard to that year's cap on contributions. If not repaid, the income would be included in your taxable income ratably over a 3-year period.

Charitable Contributions

This provision encourages Americans to make contributions to churches and charitable organizations by providing a \$300 above-the-line deduction in 2020. It will not be necessary to itemize deductions in order to take advantage of this deduction.

The 50% AGI limitation for charitable deductions is suspended for individuals for 2020.

Unemployment Compensation

The act creates three new federally funded unemployment insurance programs. It temporarily supplements unemployment insurance amounts and extends the duration of those benefits.

- Provides an additional \$600 per week in unemployment compensation.
- Provides an additional 13 weeks of state unemployment benefits, which will become available after state unemployment benefits are exhausted.
- Provides emergency unemployment assistance to workers who are left out of regular state unemployment insurance. This includes self-employed workers, including independent contractors. Up to 39 weeks of assistance will be available to workers who are immediately eligible to receive this benefit. This provision expires on December 31, 2020 unless extended. There are specific criteria which must be met to receive this benefit.

Student Loans

- The act allows employers to pay an employee's education loans up to \$5,250 and exclude this amount from income. The education loan must have been incurred for

the employee's education. The payment can be made to the employee or the lender and must be made between the date of enactment and January 1, 2021.

- The law allows most federal student loan holders to suspend their monthly payments through September 30, 2020 without accruing interest.

Treatment of Net Operating Losses

The Tax Cuts and Jobs Act (TCJA) limited the utilization of net operating business losses. The CARES Act lifted the 80% rule and allows losses to be carried back five years.

Resources

<https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>

<https://www.labor.ny.gov/ui/pdfs/ui-covid-faq.pdf>

<https://www.labor.ny.gov/ui/coronavirus-faq.shtm>

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