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Dear Valued Client,

April 15, 2020

Congress recently passed a massive \$2.2 Trillion stimulus bill on March 27, 2020, with tax relief for both businesses and individuals in response to the Coronavirus crisis. The new **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)** is the largest economic stimulus package in our country's history and has many tax and financial components that may apply to you or others you know. Below is a high-level overview provided for your awareness, and to identify opportunities or changes that may affect you.

2019 Tax Filing Deadlines Automatically Extended from April 15th to July 15th: for Individuals and C-corporations, as well as any tax due on those returns, including self-employment taxes. The 1st Quarter estimated-tax-payment due date is also deferred to July 15th, although the 2nd Quarter payment deadline remains June 15th at this time.

Stimulus payments: Structured as "federal income tax rebates," payments are \$1,200 each (\$2,400 per couple), plus \$500 more for each child under age 17. Anyone who is claimed as a dependent by another won't get the rebate (high school children 17 and older; college students, disabled adult children, and parents claimed as dependents).

The rebates phase out when adjusted gross income (AGI) falls between \$75,000-\$99,000 for singles; \$112,500-\$136,500 for head of household filers; and \$150,000-\$198,000 for married filing joint filers.

Most people need to have filed a 2018 or 2019 tax return to get a payment because they are based on information from those returns. The IRS will first look at the 2019 tax return for filing status, AGI, and dependents. If a return has not yet been filed for 2019, then the IRS will use the data on the 2018 returns. Rebates will be reconciled on the 2020 tax returns. Qualified rebates not yet received can claim it on the 2020 tax return.

The IRS will mail a letter to each eligible person within 15 days of the payment, indicating the method and amount of payment. The IRS plans to develop a web portal for people to provide details for bank information not yet on file with the IRS at www.IRS.gov.



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Charitable Giving: Those who take the standard deduction, and do not itemize, can still write off up to \$300 of CASH donations to an IRS-recognized charity. Receipts on the letterhead of the charity with the date and amount of the giving are required.

Retirement Accounts: The stimulus includes three key retirement-related areas:

1. **Required Minimum Distributions (RMDs) are suspended for 2020;** i.e., they can be skipped this year on IRAs, 401k, 403b, 457b, SEP and SIMPLE IRAs, and beneficiary IRAs. Call your financial advisor or financial institution to implement this.
2. **The 10% early withdrawal penalty is waived on up to \$100,000** in COVID-19-related withdrawals from retirement accounts. Also, the withdrawals may be repaid back or included ratably in income over three years;
3. **Employees can borrow twice as much(\$100,000 or 100% of the account balance)** from workplace plans such as 401ks, 403bs, etc., until September 23, 2020. Also, repayments on retirement plan loans due in 2020 are delayed for one year.

HSAs, FSAs, and HRAs: can now be used to purchase over-the-counter medicine.

More time to make contributions to IRAs (Traditional & ROTH); SEPs & Solo 401ks, and HSAs: Now due by July 15th. Ensure your delayed contribution is labeled as 2019.

The 7.5% airline ticket tax is suspended through the end of 2020.

Student loan payments: The government already waived two months of student loan payments for any federal student loan borrowers. In addition, payments are suspended on federal student loans until September 30th. No interest accrues during this time. Contact your lender to defer payments.

Unemployment Benefits: The Act expands unemployment benefits in both the number of qualified taxpayers, as well as the amount received. Unemployed workers may potentially get an additional \$600 per week for up to four months, on top of the normal state unemployment benefits. Typically, self-employed individuals would not qualify for unemployment benefits; however, under the bill, self-employed people will be eligible for unemployment benefits as well.



Some of the most common SMALL BUSINESS PROVISIONS of the Act include:

- Allowing net operating losses (NOLs) arising in 2018, 2019 and 2020 to be carried back five years and suspending the 80 percent taxable income limit until 2021;
- Suspending payment requirements for the 6.2% employer portion of Social Security taxes from the date of enactment through 12/31/202, with half the balance due by the end of 2021, and the other half due by the end of 2022; and
- Creating a new employee retention credit of up to \$5,000 per employee for paying wages while operations are suspended, or if gross receipts of the business drop by 50%.
- **\$349 Billion for the Paycheck Protection Program (PPP) small-business loan:** A business or 501(c)(3) with 500 or less employees may qualify, as well as sole proprietors, self-employed individuals, and independent contractors. The loan is 100% guaranteed by the SBA. The loan amount is determined by 2.5 times the monthly average payroll of the business or entity. If certain requirements are met, the loan may be forgiven after 8 weeks. Consult with your banking institution for the loan application and process.

The \$2.2 Trillion CARES Act translates to a \$600 Billion tax cut, designed to offer immediate benefits in cash flows and economic stimulus measures. As your strategic tax advisor, I have been busy learning the new tax laws and combing through the many details of this new legislation. The IRS will also be providing technical guidance as it becomes available, to address questions and uncertainties for specific situations. Please contact us via email or phone with any questions or concerns you may have. We want to make sure you have the information you need to make informed decisions in your “Full Circle Planning.”

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