CARES Act Overview

Personal Financial Planning Considerations

The purpose of the “Coronavirus Aid, Relief, and Economic Security Act,” abbreviated as the CARES Act, is to provide emergency assistance and a health care response for individuals, families, and businesses affected by the 2020 Coronavirus pandemic. The CARES Act is the largest stimulus in American history. The following are specific legislative considerations from the law:

**Recovery Rebates For Individuals**
All U.S. residents with adjusted gross income up to $75,000 ($150,000 married), who are not a dependent of another taxpayer and have a work-eligible Social Security number, are eligible for the full $1,200 ($2,400 married) rebate. Additionally, residents are eligible for an additional $500 rebate per child. The rebate amount is reduced by $5 for each $100 that a taxpayer’s income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding $99,000, $146,500 for head of household filers with one child, and $198,000 for joint filers with no children.

**Unemployment Insurance**
The CARES Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 for those not traditionally eligible for unemployment benefits and who are unable to work as result of coronavirus pandemic. Benefits include eligibility for up to thirteen weeks of unemployment benefits through the end of 2020. Additionally, the Act will provide an additional $600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months and will provide funding to support “short-time compensation” programs for employees who have had their work hours reduced.

**Personal Financial Planning Considerations**
- **Retirement (“Qualified”) Plan Access without withdrawal penalty** – The Act waives the 10% early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. Income attributable to such distributions would be subject to tax over three years. The taxpayer may also recontribute the funds distributed for coronavirus-related purpose without regard to contribution limits. A coronavirus-related distribution is
one made to an individual who is diagnosed with COVID-19, an individual whose spouse or dependent is diagnosed with COVID-19, or an individual who experiences adverse financial consequences as a result of the pandemic.

- **Waiver of Required Minimum Distribution (RMD) requirements from retirement plans** – The Act waives required minimum distribution rules for certain defined contribution plans and IRAs in 2020.

- **Charitable contributions & deductions** – The Act permits, whether a taxpayer itemizes their deductions or not, a $300 “above the line” deduction for cash contributions to charitable organizations and churches. As well, the 50% adjusted gross income limit for individual charitable deductions has been suspended for 2020. Deduction permissibility for corporations is increased under the Act from 10% of taxable income to 25% this year. Additional deduction rules are applicable regarding corporate deductions for food inventory.

- **Employer repayment of student loans** – The Act encourages employers to provide a student loan repayment benefits to employees on a tax-free basis. The Act allows for an employer to contribute up to $5,250 annually toward an employee’s student loans without subjecting the employee to income taxation. Educational assistance such as tuition, fees, and books will also qualify under the Act as a tax-free benefit in 2020.