



# What the CARES Act Means for Individuals



On March 27th, 2020 the Coronavirus Aid, Relief and Economic Security Act, also known as the CARES Act, was signed into law to provide much-needed help to both businesses and individuals. Here is an overview of what the Act means for individuals.

## Rebate Checks for Individuals and Joint Taxpayers

The CARES Act provides a tax credit in the form of a rebate check to individuals based on their most recent tax filing. Individuals will receive up to \$1,200 while joint taxpayers will receive up to \$2,400. Furthermore, taxpayers will receive an additional \$500 for each qualifying child.

The amount of the checks will be based on your most recent tax filing for the tax year 2018 or 2019. If your Adjusted Gross Income was \$75,000 or less for individuals, \$112,500 or less for Head of Household, or \$150,000 or less for married filing jointly, you should be eligible for the full amount.

If your adjusted gross income was more, then the amount of your stimulus check will be reduced until you reach the maximum limits. If your adjusted gross income was greater than \$99,000 for individuals, \$146,500 for head of household or \$198,000 for married filing jointly with no kids, you will not receive anything.

Taxpayers with little or no income tax liability, but at least \$2,500 of qualifying income, are eligible for a minimum rebate check of \$600 for an individual and \$1,200 if married filing jointly. Qualifying income includes earned income, as well as Social Security retirement benefits and certain compensation and pension benefits paid to veterans. This ensures relief gets to low-income seniors and disabled veterans.

The amount of the rebate checks will be based on your most recent tax return and then reconciled when you file your 2020 tax return. However, if your income increases in 2020 such that you would not qualify for the full rebate that you received, there is no clawback provision.

If you have not filed your 2019 tax return and your address has changed or if your income was significantly lower in 2019 than 2018, you should consider filing your 2019 return now.



## Student Loan Payment Relief

Under the CARES Act, employers are able to make student loan payments on behalf of their employees tax-free, up to \$5,250 annually. This means that if your employer makes student loan payments, those payments are excluded from your taxable income. Only loan payments made from March 27, 2020, through January 2021 are eligible.

## Unemployment Payments

Unemployment payments will be increased by \$600 per week per recipient for the next four months through July 31st. The bill also extends benefits to workers not usually eligible for benefits such as self-employed workers, independent contractors and those with limited work history.

For states that don't provide unemployment benefits for the first week of unemployment, the federal government will fully fund that first week of unemployment benefits if the state repeals the provision. Furthermore, the federal government will fund an additional 13 weeks of unemployment benefits through December 31, 2020, after workers have run out of state unemployment benefits.





## Penalty Waived for Early Retirement Withdrawal

The CARES Act waives the 10-percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts such as an IRA, 401k or other qualified trusts, certain deferred compensation plans, and qualified annuities for COVID-19-related purposes.

A COVID-19-related distribution is a distribution made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work reduced hours, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

Taxpayers that receive a COVID-19-related distribution have three years, instead of the normal 60 days to repay the distribution to their IRA or other eligible retirement plan. The Act simply treats the repayment as if it were a 60-day tax-free rollover.

## Retirement Plan Loans

Normally, an employee cannot borrow more than the lesser of 50% of their vested account balance or \$50,000 from their employer-sponsored retirement plan. The CARES Act provides a 180-day window that raises the limit to \$100,000 and eliminates the 50% account balance limit. And, there is no requirement that the loan is COVID-19-related.

For existing retirement plans loan payments that would come due between now and Dec. 31, 2020, the CARES Act allows employees to take an additional one year to make those repayments.



## Temporary Waiver of Required Minimum Distribution Rules for Certain Retirement Plans and Accounts

The CARES Act provides for a one-year waiver of the payment of required minimum distributions from defined contribution plans and IRAs. The waiver applies to both 2019 RMDs required by April 1, 2020, and RMDs that would have been otherwise required for 2020. Because the Act waives RMD payments from IRAs and defined contribution plans for 2020, you can rollover any such RMDs received in 2020 to an IRA or other qualified employer plan. The 60-day rollover rule will apply, however, subject to future IRS guidance.

## Charitable Contributions

The CARES Act encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize their deductions or not.

The provision increases the limitations on deductions for charitable contributions by individuals who itemize. For individuals, the 60-percent of adjusted gross income limitation is suspended for 2020.



# Final Thoughts

This document provides an overview of how specific provisions in the CARES Act may help individuals. Be sure to call us with any questions or to discuss how the provisions may impact your specific situation.



## About Harding, Shymanski & Co.

Harding, Shymanski & Company, P.S.C. is a public accounting firm with offices in Evansville, Indiana, and Louisville, Kentucky. We are one of the largest accounting firms in Southern Indiana and Kentucky, providing experienced professionals who look beyond the numbers to the heart of complex issues.

Our clients range in size from small proprietorships to billion-dollar corporations, from closely-held and family-owned businesses to publicly traded firms. They span nearly every industry: finance, communications, construction, mining, manufacturing, non-profit, wholesale, retail, transportation, government, health care, and service. They all have one thing in common: they count on our expertise to capitalize on their opportunities and make the best of their challenges.



1-800-880-7800



[info@hsc CPA.com](mailto:info@hsc CPA.com)



[www.hsc CPA.com](http://www.hsc CPA.com)

### Contact:

Kyle Wininger

p - 812-491-1412

[kwininger@hsc CPA.com](mailto:kwininger@hsc CPA.com)

Scott Touro

p - 502-882-8467

[stouro@hsc CPA.com](mailto:stouro@hsc CPA.com)

