

# Key 2020 CARES Act Provisions

In response to the COVID-19 global pandemic, the US passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act is a \$2 trillion emergency fiscal stimulus package aimed to help ease the effects of the resulting economic damage. Some of the key provisions are below.

## Recovery Rebates for Individuals

All US residents with adjusted gross income up to \$75,000 (\$150,000 married filing jointly and \$112,500 for Head of Household) are eligible for a \$1,200 tax credit (\$2,400 married filing jointly). The taxpayers must have a work-eligible social security number and are not a dependent of another taxpayer. The credit amount increases by \$500 for every dependent child under the age of 17. The payment will be reduced by \$5 for every \$100 of income over the threshold. Thresholds will be adjusted upwards as dependent children are factored into the calculation. It is important to note that the credit you receive is an advance payment of a tax credit that would have been available when filing your 2020 taxes.

## Coronavirus Related Retirement Account Distributions

Distributions from an IRA and Employer-Sponsored Retirement Plans up to a combined \$100,000 will not pay the 10% early withdrawal tax penalty. Early withdraw tax penalties apply to individuals who withdraw funds from retirement accounts before age 59 ½. This qualifies for distributions made in 2020, and the Coronavirus must impact the individual. Income taxes will be due on the distribution, but eligible taxpayers can spread the federal tax liability over three years. You can avoid taxes on the distribution if you pay the funds back to your account within three years.

To be impacted by the Coronavirus means the individual, the individual's spouse, or a dependent, must have been diagnosed with COVID-19. Or the individual must experience adverse financial consequences as a result of being quarantined, furloughed, laid off, or having work hours reduced due to COVID-19. Also eligible are individuals who were unable to work due to lack of childcare as a result of COVID-19. An individual whose business was closed or had reduced operating hours as a result of COVID-19 also is eligible.

## Required Minimum Distributions Suspended

Required Minimum Distributions from retirement accounts are suspended for 2020. This includes Inherited IRA accounts. If you have already taken your 2020 RMD, you can return the funds to your account if you have received the RMD in the last 60 days. The funds can be returned to your retirement account through an indirect rollover. If your distribution was completed more than 60 days ago, these funds are included in your 2020 taxable income.

## Charitable Contributions

Taxpayers that use the standard deduction when filing their tax return are eligible to take an "above the line" deduction of up to \$300 for charitable contributions made in cash. Taxpayers that itemize their deductions will still use their Schedule A to itemize charitable contributions. The act extends the deduction limit from 60% of the taxpayer's adjusted gross income to 100% of adjusted gross income for the year 2020. Excess charitable contributions are available to be carried over for the next five years. The contributions must be made to a qualified public charity in cash. Contributions to a Donor Advised Fund does not qualify for this provision.

## Student Loans

Certain student loans owned by the US Department of Education are suspending re-payments until September 30th, 2020. This provision mostly affects Direct Loans and FFEL loans held by the department and is in non-default status. Also, interest will not accrue during this time on loans that are eligible for suspension. For details on eligibility and when payments are suspended, please contact your student loan servicing company.

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## Unemployment Benefits

Unemployment insurance includes an additional \$600 per week for each recipient for up to four months. Benefits have been extended to self-employed workers, independent contractors, and those with limited work history. The federal government will fund the first week of unemployment, so there is no longer a waiting period. Unemployment benefits have been extended by 13 weeks until December 31st, 2020.

## Medical Benefits

The act mandates that health insurance providers cover the cost of COVID-19 Diagnostic testing and related preventative services without cost-sharing to the participant. If you are on Medicare, you are eligible for the COVID-19 vaccine, when available, at no cost to you. Also, the act expands the use of Health Savings Accounts (HSA) for telehealth services, over the counter medications, and menstrual care products.

## Small Business Benefits

There are many benefits for small businesses that have been included in the act. We recommend that you contact your tax advisor to see what benefits your small business qualifies for under the act.

This is an overview of the CARES Act for informational purposes only. If you have questions on how a specific provision affects you, Bahl & Gaynor recommends you contact your tax advisor.

*The information above is for informational purposes and should not be considered a recommendation. Bahl & Gaynor does not offer tax or legal advice. Please consult your tax or legal advisor with any questions.*