



As we all continue to deal with the coronavirus, Congress passed legislation late last week in an effort to provide relief to taxpayers during this difficult time. The following is a list of some of the provisions in the bill that may have an impact on you:

Individual Recovery Rebates/Credit

The CARES Act provides that each eligible individual is allowed a 2020 income tax credit based on your 2020 filing status:

- \$1,200 for Single, Married Filing Separate or Head of Household filers;
- \$2,400 for Married Filing Joint
- Plus \$500 for each qualifying child who hasn't attained the age of 17 by 12/31/2020.

To be considered an eligible individual, a taxpayer must have a social security number and not fall into one of these three ineligible categories:

- Be a nonresident alien
- Eligible to be claimed as a dependent by another taxpayer. Whether or not the other taxpayer elects to claim you makes no difference on the determination.
- An Estate or Trust

The amount of the taxpayer's credit will be reduced by 5% of the taxpayer's 2020 adjusted gross income in excess of the following thresholds:

- Single or Married Filing Separate - **\$75,000**
- Head of Household - **\$112,500**
- Married Filing Joint - **\$150,000**

Given the U.S. government wants to get these credits in the hands of taxpayers as soon as possible, they will be issuing an advanced credit based on information from each taxpayer's 2019 individual income tax return. Any advanced credits paid to the taxpayer will reduce the 2020 credit calculated on their 2020 individual tax return. The Department of Treasury is currently working on issuing advanced credits to eligible individuals.

For any taxpayers who have not yet filed their 2019 income tax return by the time the advanced credit is issued, the advanced credit will be based on the taxpayer's 2018 income tax return. Taxpayers that may be eligible but have not yet filed a 2018 or 2019 tax return are encouraged to do so. The Treasury Department will not issue any additional advanced credits after December 31, 2020.

As noted above, each taxpayer will calculate a final credit with their 2020 individual tax return based on their actual 2020 income. This credit will be reduced by any advanced credit received by the taxpayer. For those taxpayers whose final 2020 credit is greater than the advanced credit received, the taxpayer will receive the additional amount as a credit against their 2020 income tax liability. For those taxpayers whose final 2020 credit is less than the advanced credit received, the taxpayer has no obligation to repay the excess credit amount.

The Department of Treasury has indicated advanced credits will be direct deposited into bank accounts on file with the IRS or Social Security Administration. If no bank information is available, taxpayers will be mailed a check.

\$300 Page 1 Charitable Deduction

Taxpayers claiming the standard deduction in 2020 are eligible for a page 1 charitable deduction up to \$300 for qualified charitable contributions made in cash during the 2020 calendar year.

Please note, this provision specifically excludes contributions to a donor advised fund or a 509(a)(3) supporting organization.

Increased Threshold for 2020 Charitable Contributions

For calendar year 2020, the 60% of adjusted gross income limitation does not apply. However, qualifying 2020 charitable contributions must be paid in cash to a qualified charitable organization and the taxpayer must make a separate election for this provision to apply.

Please note, this provision specifically excludes contributions to a donor advised fund or a 509(a)(3) supporting organization.

RMD Requirements Waived for 2020

Required minimum distributions from qualified plans are disregarded for calendar year 2020. This includes those taxpayers who turned 70 ½ in 2019, but the initial distribution was not made by January 1st 2020.

For retirement plans for which a 5-year required minimum distribution period had already begun, the calendar year 2020 should be disregarded and the required minimum distributions will commence again in 2021.

This provision also includes required minimum distributions for beneficiaries of inherited IRAs.

Taxpayers that have previously distributed their 2020 required minimum distribution within the past 60 days, may retribute the contribution to the plan by the 60th day as a rollover-contribution. Please note, the 60-day rollover option does not apply to distributions from inherited IRAs.

At this time, we are not aware of options available to taxpayers whose distribution is beyond the 60 day rollover window. Once additional guidance becomes available, we will provide additional details at that time.

Elimination of 10% Penalty on Coronavirus Distributions from Retirement Plans

Taxpayers may take coronavirus-related distributions of up to \$100,000 without incurring a 10% early distribution penalty.

To qualify, the taxpayer must meet one of the following requirements:

- 1) Be diagnosed with the COVID-19 or SARS-CoV2 virus by a test approved by the Centers for Disease Control and Prevention;
- 2) The taxpayer's spouse or dependent is diagnosed with the COVID-19 or SARS-CoV2 virus;
- 3) Or has experienced adverse financial consequences as a result of one of the following:
 - a. Being quarantined
 - b. Furloughed, laid off or having work hours reduced due to the virus or disease.
 - c. Being unable to work due to a lack of child care due to the virus or disease.
 - d. Closing or reducing hours of a business owned or operated by the taxpayer due to the virus or disease.
 - e. Or other factors as determined by the Secretary of the Treasury.

It is up to the individual taxpayer to determine whether or not they meet the qualifications above.

Taxpayers also have 3 years from the date of distribution to re-contribute the funds to the retirement plan. This can be accomplished via one or multiple contributions over the subsequent 3-year period.

In addition, the taxpayer may spread the income related to the distribution ratably over the 3-year period beginning with the year of distribution.

This provision also allows for loans up to \$100,000 from qualified plans and repayments can be delayed.

This provision applies only to retirement plan distributions made during the calendar year 2020.

Student Loan Repayment Provisions

Payments on Federal student loans have been suspended through September 30, 2020. No interest will accrue during this time.

For 2020 only, student loan repayments made by employers before January 1, 2021 are included in the definition of educational payments that are excluded from an employee's gross income. These payments are included in the \$5,250 per employee annual limit and must be made under a qualified employer plan.

The payments may be paid to the employee or a lender of principle or interest on any qualified higher education loan for the education of the employee. They do not include student loans on the employee's spouse or dependents.

The repayments must also be excluded from the student loan interest deduction to prevent a double benefit.

Modification of Net Operating Loss Rules

For any Net Operating Losses incurred prior to tax years beginning before 2021, taxpayers will be eligible to carry back NOL's to the prior five taxable years.

Any Net Operating Loss carryforwards to tax years beginning prior to 2021 will be entitled to an NOL deduction equal to 100% of taxable income.

Excess Business Loss Rules are Temporarily Suspended

For any taxpayer with total business losses in excess of \$250,000 for single taxpayers or \$500,000 for taxpayers who file married filing joint, this provision is temporarily repealed for losses incurred prior to 2021.

Disclaimer:

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