

# Top 10 CARES Act Provisions

You Need to Know About



## PROVISION 1: ECONOMIC IMPACT PAYMENTS

- Did you file 2018 or 2019 income tax returns? If so, you don't need to do anything else to receive your payment.
- \$1,200 for an individual. Single taxpayers phase out between \$75,000 and \$99,000.
- \$2,400 for a married couple. Married taxpayers filing jointly phase out between \$150,000 and \$198,000.
- Got kids? Add \$500 per child under age 17.



## PROVISION 6: BUSINESS LOANS

- Small business owners can apply for a forgivable loan through the Small Business Administration (SBA) designed so they can keep paying employees.
- Paycheck Protection Program (PPP) loans are available through any existing SBA lender or through any FDIC-insured bank or credit union.
- These loans generally are available to all businesses (nonprofits, too) with 500 or fewer employees.



## PROVISION 2: NEW RULES FOR RETIREMENT ACCOUNT DISTRIBUTIONS

- Withdraw up to \$100,000 in 2020 from your IRA or 401(k).
- You're eligible if you're diagnosed with, or suffered adverse financial consequences from, COVID-19.
- No 10% early withdrawal penalty if you're under 59½.
- It's still taxable, but you can spread the income over three years (2020, 2021, 2022).
- Avoid taxes, however, by repaying it back into the account over three years.



## PROVISION 7: BUSINESS TAX CREDIT FOR EMPLOYERS WHO RETAIN WORKERS

- To qualify, businesses must fully or partially suspend operations due to government order or see a significant drop in revenue.
- Qualify for the credit until the end of 2020, if certain conditions involving government suspension orders and revenue levels are met.
- Credit equals 50% of wages paid to each employee (to a max of \$10,000 of wages per employee).
- Businesses that secured PPP loans are not eligible.



## PROVISION 3: REQUIRED MINIMUM DISTRIBUTIONS (RMDs) ARE SUSPENDED FOR 2020

- RMDs are gone this year for IRAs and employer retirement plans (like your 401(k) or equivalent), but not for cash balance and defined benefit plans.
- Did you turn 72 in 2020? Were you over 70½ in 2019? Are you the beneficiary of an inherited IRA? If yes, then this relief applies to you.



## PROVISION 8: BUSINESS PAYROLL TAX BREAK

- Businesses can now defer paying the employer portion of their payroll taxes. This covers taxes otherwise due for the time between March 27, 2020 and Jan. 1, 2021.
- Half the deferred amount is due on Dec. 31, 2021. The second half is due on Dec. 31, 2022.
- Businesses that secured PPP loans are not eligible.



## PROVISION 4: TAX INCENTIVES AROUND CHARITABLE CONTRIBUTIONS

- Taxpayers who don't itemize get a \$300 deduction in 2020.
- These new Qualified Charitable Contributions must be made using cash.
- They cannot be made to finance a donor advised fund.
- For 2020, the limit on charitable cash contributions is 100% of Adjusted Gross Income (AGI), up from 60% of AGI. Any excess can be carried forward for up to five years.



## PROVISION 9: STUDENT LOAN HELP

- Federal student loan payments through Sept. 30, 2020 are suspended.
- No additional interest will accrue during this time period.
- All involuntary debt collections are suspended through Sept. 30, 2020.
- Employers can pay down up to \$5,250 of an employee's student debt through direct payment to the lender. This is only available through Dec. 31, 2020, and it is tax-free to the employee.



## PROVISION 5: BIGGER UNEMPLOYMENT CHECKS

- Benefits are available from the first week of unemployment. Goodbye waiting period.
- Add up to \$600 per week to your state's base benefit for up to four months.
- If state rules dictate that benefits are about to run out, they are extended for an additional quarter.
- The previously ineligible self-employed will now be eligible for up to 39 weeks of benefits.



## PROVISION 10: MEDICAL EXPENSES

- HSAs, MSAs and FSAs can now be used for over-the-counter medications.
- Medicare beneficiaries will receive the COVID-19 vaccine (when available) at no cost.
- Medicare Part D recipients must be allowed to request a 90-day supply of prescription medicine.
- Telehealth services are covered in 2020 by an HSA before a participant meets their deductible.