

WASHINGTON DC STEPS UP: THE CARES ACT

The CARES Act (Coronavirus Aid, Relief and Economic Stimulus) signed into law on March 27, 2020 represents a 3rd round of direct Federal assistance in the face of severe economic dislocation. The Act focuses on providing monetary and other financial relief to individuals and businesses and follows up on \$8.3 billion of emergency medically related funding, as well as paid sick leave for individuals. Several provisions warrant attention given their potential impact on individual and family financial plans.

WHAT YOU NEED TO KNOW ABOUT THE CARES ACT

INCOME SUPPORT



Direct Payments - taxpayers will receive a one-time payment of up to \$1,200 for individuals, up to \$2,400 for married couples, and \$500 per child. The payments phase out 5% of the AGI above \$75,000 and \$150,000, respectively, and fully phase out for single filers at \$99,000 and joint filers with no children at \$198,000.

Extended Unemployment Benefits – provides \$250 billion for extended unemployment insurance programs (until 12/31/20 for eligible workers), expands eligibility for unemployment benefits and delivers an additional \$600 weekly for the next four months. Self-employed workers, independent contractors and gig economy workers are eligible.

TAX PLANNING



Employer Paid Student Loan Payments – employees will be able to exclude from taxable income up to \$5,250 in student loan payments made by their employers.

Enhanced Charitable Deductions – individuals are being given a \$300 above-the-line deduction for 2020 charitable contributions, while limits on charitable excess carryovers are disregarded.

Increased Interest Expense Limitation – caps on interest expense have been increased from 30% to 50% of taxable income for the 2019 and 2020 tax years, while 2020 interest limitations can now be calculated using 2019 AGI.

Excess Loss Limitations – the rules for pass-through entities have been suspended.

Net Operating Losses (NOLs) – the 80% rule has been removed and NOLs can now be carried back 5 years. Although not part of the CARES Act, **2019 Federal and Massachusetts income tax filing and payment due dates have been deferred until July 15th.** This also applies to Q1 2020 estimated payments.

RETIREMENT PLANNING



IRA Contribution Timing - 2019 IRA and Roth IRA contributions (along with those to HSAs, Coverdell Educational Savings Accounts and Archer Medical Savings Accounts) can now be made until the new July 15, 2020 Federal filing deadline.

Access to Retirement Plans – 10% early withdrawal penalties have been retroactively waived (back to 1/1/20) for Coronavirus-related withdrawals. Tax liability on eligible withdrawals can also be spread over a 3-year period and avoided altogether if the funds are redeposited with the same 3-year period.

Suspension of Required Minimum Distributions – RMDs from 401(k)s and IRAs have been suspended for 2020, including those not yet taken from 2019. This gives investors an opportunity to defer taxation should you not need these funds. There is also a limited ability to return RMDs already taken in 2020.

401(k) Loans – limits have been increased to \$100,000 from \$50,000 subject to account balance and prior loans outstanding.

OUR RECOMMENDATIONS

These and a flurry of other new Federal regulations risk creating confusion. Appleton is here to help, and we invite you to reach out to your portfolio manager to discuss how you can benefit.

How can we help you? Please contact:
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