

## CARES ACT Signed Into Law

In addition to the catastrophic health situation caused by the coronavirus, many Americans are feeling the pandemic's effects financially: from substantial decreases in retirement and investment account values to cash flow issues due to job losses, furloughs, or wage reductions.

In order to combat the financial consequences of the outbreak, Congress legislated a \$2.3 Trillion economic stimulus package that was signed into law by President Trump Friday, March 27<sup>th</sup>. The Coronavirus Aid, Relief & Economic Security (CARES) Act provides emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic.

We want you to be aware of some of the opportunities you may be able take advantage of as it relates to your personal situation. Below are some of the key provisions within the CARES Act:

- Direct payments: taxpayers will receive a one-time deposit of up to \$1,200 (married couples \$2,400), plus an additional \$500 per child, limited to \$3,400 per household. The payments will be available for incomes up to \$75,000 for individuals (\$150,000 for married couples) subject to phase-outs, based on 2019 filed returns (2018 if 2019 has not been filed.) Payments will be issued between now and Dec. 31<sup>st</sup>, 2020.
- Unemployment: The program provides \$250 billion for an extended unemployment insurance program, expands eligibility and offers workers an additional \$600 per week for four months, on top of what state programs pay. It also extends UI benefits through Dec. 31 for eligible workers.
- Tax Filing Extension: All individuals have until July 15<sup>th</sup> to file their personal returns and remit payments. Extensions are still due Oct. 15<sup>th</sup>.
- Extended Contributions Deadline: 2019 Traditional and Roth IRA contributions as well as HSA contributions have been extended to July 15<sup>th</sup>.
- Waiver of RMDs: Required Minimum Distributions for all IRAs, Inherited IRAs and employer-sponsored plans (at age 72) are suspended for 2020.
- Use of Retirement Funds: The law waives the 10% early withdrawal penalty for distributions up to \$100,000 (for those 59 ½ and younger), retroactive to Jan. 1. Withdrawals are still taxed as ordinary income, but taxes can be spread over three years.
- Retirement Plan Loans: The loan limit has increased from \$50,000 to the lesser of \$100,000 or 100% of the account balance in 401(k), 403(b) 457(b) plans that contain loan provisions.
- Charity. There is a new provision that provides an above-the-line deduction for charitable contributions, plus the limits on charitable contributions have changed.
- Payroll taxes: The measure allows employers to delay the payment of their portion of 2020 payroll taxes until 2021 and 2022.
- Small business relief: \$350 billion is being dedicated to preventing layoffs and business closures while workers have to stay home during the outbreak. Companies with 500 employees or fewer that maintain their payroll during the Coronavirus can receive up to 8 weeks of cash-flow assistance. If employers maintain payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities will be forgiven.

To qualify for the specific IRA and retirement plan exceptions noted above, a loan or distribution must be Coronavirus-related. This means the individual, spouse or dependent must be diagnosed with COVID-19 or the individual experiences adverse financial consequences as a result from being quarantined, furloughed, laid off or unable to work due to lack of child care due to COVID-19. Please consult with your CPA or accountant on the tax ramifications of taking distributions or loans from qualified retirement accounts.

For more information, you can see the full Bill, [here](#)

As always, if you have any questions or would like to discuss your accounts or financial situation further, please call your advisor directly or email us at [clientservices@benchmarkfinancial.info](mailto:clientservices@benchmarkfinancial.info). Please visit our website at [www.benchmarkfinancial.info](http://www.benchmarkfinancial.info) for more information on our planning services.

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