

Introduction:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27th and is intended to stimulate the national economy in the wake of the COVID-19 pandemic. The Rosselot Financial Group would like to share with you the aspects of the law which may be of interest to you.

Recovery Checks

The CARES Act provides a refundable tax credit for 2020 of \$1,200 to individual filers with adjusted gross incomes of \$75,000 or less and \$2,400 to married couples filing jointly with adjusted gross incomes of \$150,000 or less in the form of checks being cut directly to taxpayers. For taxpayers under these income thresholds, there is an additional \$500 credit for each of their qualifying children. The credit is reduced by 5% of the taxpayer's adjusted gross income over the thresholds. This means that for single taxpayers who made more than \$99,000 and for married couples who made more than \$198,000, there is no credit. Although this is a 2020 credit, the amount received will be based on the 2019 income tax return, or 2018 if your 2019 has not yet been filed, and checks are being sent between now and December 31, 2020.

Suspension of Required Minimum Distributions :

Required Minimum Distributions (or RMDs) are calculated based on the year-end balance of pre- tax retirement accounts. 2020 RMDs are calculated on Dec. 31, 2019 account values. With current values of most stock and bond investments having declined, the IRS has suspended the requirement to take RMDs. In 2009, Congress passed similar legislation allowing retirees and inherited IRA recipients to plan around the timing of distributions.

Access to Retirement Plan Assets :

IRA and qualified retirement plan participants can access retirement plan assets through penalty-free Coronavirus related distributions and or loans up to \$100,000. The 10% penalty for premature distributions is waived, but taxes are not. You can repay the retirement plan within 3 years to avoid the tax. Loan repayment is deferred for one year.

IRA Contributions :

The 2019 tax filing deadline is extended to July 15, 2020. The IRA contribution date is also extended to July 15, 2020.

Roth Conversions :

While this is not part of the act, it should be mentioned. The decline of the financial markets makes this an opportune time to convert and pay tax on smaller balances. Taxes due would be paid by April 15, 2021.

Business Provisions :

The CARES Act also has \$350 billion available for Payroll Protection loans and \$500 billion for loans, loan guarantees and investments to businesses, states and municipalities.

Conclusion :

Many individuals and businesses are struggling with the realities that COVID-19 has posed. The CARES Act, however, may provide some much needed relief. Contact your advisor to discuss your situation.