

CARES Act Assistance for Individuals*

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) is a \$2 trillion federal stimulus bill meant to provide relief to individuals and businesses. Many of the details and regulations as to how the provisions will be implemented are still being finalized. Below is a summary of available information on the provisions that affect individuals.

A. Stimulus Checks – Most taxpayers will receive a \$1200 stimulus check (\$2,400 for married couples), plus an additional \$500 per qualifying child (16 and under). The stimulus check amount is reduced for those taxpayers with Adjusted Gross Income (“AGI”) in excess of \$75,000 for single taxpayers, \$112,500 for head of household taxpayers, and \$150,000 for married taxpayers. The reduction is \$5 for each \$100 of (AGI) over the relevant threshold. The most recently filed tax return will determine what your annual income is in regards to this threshold. If you’ve already filed your 2019 return, that will be used by the IRS. If you haven’t filed your 2019 return, they will use 2018.

HINT: If you haven’t filed yet, and anticipate your 2019 income BEING HIGHER than your 2018 income, consider DELAYING FILING until the extended due date of July 15, 2020. However, if you haven’t filed, and expect your 2019 income to be LOWER than your 2018 income, consider filing VERY SOON.

If you received a refund that was direct deposited into your bank account, the IRS will use that information to direct deposit your check. If you have not previously provided the IRS with your banking information, the Treasury Department has indicated that it plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail. More information about this should be available soon.

Despite initial reports, if you are a Senior who collects social security benefits and hasn’t filed a tax return for 2018 and 2019, there is no need to file a return (the IRS has revised its position on this). Most, will automatically receive the stimulus via direct deposit per the U.S. Treasury.

Technically, this stimulus check payment is an advance payment/credit against 2020 taxes, but does not need to be repaid. If you qualify but did not receive a check, there will still be an opportunity to receive the credit on your 2020 tax return.

FRAUD ALERT: The IRS, Social Security Administration, or any other federal or state governmental agency will not contact individuals by phone or e-mail. Those who do call or e-mail individuals purporting to represent the aforementioned agencies are SCAMMERS. Do not provide them with any personal information! The IRS will send out a letter to the last known address 2-3 weeks after the check is sent or funds are deposited, to verify that payment was received.

B. Student Loans - The CARES Act includes payment suspension and interest waiver provisions for certain federal student loans, however, neither Perkins Loans nor commercially-held FFEL loans are covered by the bill. Additional information on the specifics of this portion of the Act can be found at: <https://www.studentloanborrowerassistance.org/what-the-cares-act-means-for-repayment-of-federal-student-loans/>.

C. Unemployment Benefits – Under the CARES Act, the federal government is supplementing unemployment benefit payments up to \$600/week, in addition the normal unemployment payment. This increase is extended only through 7/31/2020 (although for some workers there may be an additional extension through 12/31/2020). Importantly, this extra benefit applies to self-employed persons and independent contractors, not just to typical W-2 job employees. These benefits are to be paid with federal money funneled through the state unemployment office. Unfortunately, since most states do not normally pay unemployment compensation to self-employed persons and independent

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contractors, the states need to update their unemployment disbursement infrastructure to accept claims from these groups. Each state varies so check your state's unemployment website for more information on their process and when it will be available. In addition, for standard unemployment benefits, the length of payment has been extended from 26 weeks to 39 weeks. If it is possible for you to work remotely and do your job, but you elect not to, you cannot collect. However, if you are sick due to COVID-19 or are ordered to self-quarantine, or if you must leave your job due to taking care of someone with COVID-19, you can collect unemployment insurance.

D. Retirement Plans – If you need emergency funds to tide you over during this difficult time, it is now possible to withdraw up to \$100,000 penalty-free from your existing IRAs or other retirement plans, if you are (a) a furloughed employee; (b) someone who has expenses related to treatment of the coronavirus; or (c) someone who has experienced adverse financial consequences due to the coronavirus. If you withdraw this extra income, it is normally counted as regular earned income that is taxable in the year that it is withdrawn, but under the CARES Act, the income from IRA and other retirement plan withdrawals that fit into the above exception can be spread out over 3 years from the date of the withdrawal, which also spreads out the tax impact. Furthermore, if you repay the amounts withdrawn at any time in that three-year period, the withdrawal can then be reclassified as a rollover, and become untaxable. Plus, for the next 6 months, the normal cap on employee loans from employer retirement plans, increases to \$100,000, so that employees who need additional funds can borrow their own money from their employer retirement plans. If a preexisting loan matures between the date of the CARES Act's passing into law, and 12/31/20, repayment is extended by one year.

For Seniors, the required minimum distribution ("RMD") requirements are waived for the 2020 year so that if you have not already taken and do not need to take money from your IRA or 401K plan, you will not be forced to sell stocks during this financial downturn, just to fulfill federal requirements.

E. Charity Deductions - The IRS will provide an above-the-line deduction for charitable donations of up to \$300 for the 2020 tax year so if you have enough to share with others, keep your receipts and the first \$300 will reduce your taxable income for 2020.

F. Foreclosure and Eviction Information – There is a 60-day moratorium on foreclosures and up to 180 days of forbearance allowed on foreclosures of federally backed mortgages. Borrowers must request forbearance if needed. Owners of multi-family homes can also request forbearance so long as they agree not to evict tenants (or issue late charges, etc.). There is also a 120-day moratorium on evictions from properties that are financed by federally backed mortgages.

G. IRS Collections – The IRS has paused its efforts regarding issuing new liens and levies. Payments due on IRS Installment Agreements and Offers in Compromise can also be deferred. If you owe money to the IRS and your circumstances have changed, this would be a good time to modify existing agreements or consider an Offer in Compromise.

Additional Information - Please feel free to reach out if you need any additional information about these new programs or assistance obtaining benefits. During this time, many people are also considering updates to their estate plans, wills, and medical powers of attorney, particularly reviewing what their existing medical directives say about the use of ventilators and regarding allowing more remote decisions and options for communicating decisions from a distance as it has become apparent that alternate decisionmakers may be at a distance, rather than at the hospital able to communicate with medical professionals in person during this pandemic. I am available to assist if needed.

For additional resources on the CARES Act and more information about how to calculate your estimated stimulus amount, you can go to <https://www.irs.gov/coronavirus>.

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