



TAX UPDATES

Proposed Tax Legislation Update- CARES Act

INDIVIDUALS

Rebates - Individual taxpayers will receive up to \$1200 for filing statuses of Single or Head of Household or \$2400 Married Filing Joint in the form of a rebate. The IRS will mail checks or use existing direct deposit information from the taxpayers' 2019 tax return (or 2018, if they have not yet filed. The income limitation for the credit starts at \$75,000 (Single), \$112,500 (Head of Household), and \$150,000 (Married Filing Joint). There will also be a rebate of \$500 for each Qualifying Child.

The rebate will not be offset by the Treasury Offset Program, so even taxpayers with delinquent federal debt will receive money under this provision. The legislation also provides rebates to those receiving Social Security benefits, even if they do not file a return. All other taxpayers must have filed a 2018 or 2019 tax return, or they will not receive the credit until they file their 2020 tax return. The Treasury is directed to issue the funds as soon as possible.

RETIREMENT PLANS

Taxpayers can withdraw up to \$100,000 from their eligible retirement accounts in corona-virus related distributions penalty-free. The distributions may either be re-contributed and treated as a rollover or, if not repaid, included in their income over the next 3-year period. These provisions apply for withdrawals made through the end of 2020.

The maximum amount for traditional loans from eligible plans, such as 401(k), increased from \$50,000 to \$100,000 for 180 days after the legislation is passed.

CHARITABLE CONTRIBUTIONS

Cash contributions up to \$300 can be taken as an above-the-line deduction from income, even for taxpayers that do not itemize. This deduction will be taken on their 2020 tax return.

Additionally, there are waivers of some contribution limits for certain charities for donations of cash or food inventory.

MEDICAL EXPENSES

The legislation provides for additional over-the-counter items to be allowable for HSA/MSA's, although these items do not appear to be directly related to the COVID-19 crisis.

BUSINESSES

Payments made on behalf of employees are fully deductible for business taxpayers. This provision applies to payments made through the end of 2020.

There are also provisions for expanded NOL deductions and refunds of corporate AMT and the cap on interest expenses is raised. Additionally, the excise tax on alcohol and hand sanitizer is waived through the end of 2020.

PAYROLL TAXES

The Employee Retention Credit gives employers a credit of 50% of each employee's wages up to \$10,000. This credit is taken against the balance on the 941 and is refundable if it exceeds the amount owed.

This credit is available for any month in which the gross receipts is lower than the same month in the prior year's gross receipts by 50% or more and phases out for months when. This will be retroactive to any wages paid starting March 12, 2020. This credit has other exclusions including FFCRA wages. SBA EIDL recipients are also not eligible for these credits.

Payroll tax deferrals are also available for businesses not using any of the SBA loan forgiveness programs. The deferral is 50% through the end of 2021 and 50% through the end of 2022.

At this time legislation is still pending and we will provide updates as information is available.