Wealth Planning Update

Coronavirus Aid, Relief, and Economic Security (CARES) Act: What You Need to Know

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The President recently signed legislation providing immediate relief for families and businesses impacted by the coronavirus pandemic. A summary of some of these new provisions follows.

Reach out to your advisor, wealth planner, and tax professionals to discuss how the CARES Act may impact you. It is important to be thoughtful about how you access funds from loans, retirement accounts, or your business.

Business owners may wish to reach out to tax professionals to discuss recalculating losses and allocate properly. For those considering major charitable gifting options, reach out to our planning and philanthropic team so you may determine how to give in a way that is most impactful for your desired charity and your current tax situation.

For Individuals:

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<th>Stimulus payments</th>
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<td>Payments of $1,200 (single) and $2,400 (joint filers) will be sent to taxpayers within certain income limits. An additional $500 payment is available for each qualifying child. These payments will be determined based on your most recently filed tax return or Social Security benefit statement, if no return was filed. The amount of the payment is reduced when income exceeds $75,000 (single), $112,500 (head of household), or $150,000 (joint) and is fully phased out at $99,000 (single), $146,500 (head of household), and $198,000 (joint).</td>
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<th>Retirement Plan Distributions and Loans</th>
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<td>Minimum distribution requirements are waived for 2020 distributions from IRAs and certain defined contribution plans. Distributions from qualified retirement plans and IRAs received during 2020 of up to $100,000 for COVID-19 related purposes are allowed without a 10% penalty, taxable evenly over 3 years beginning with year of distribution. Tax on distributions may be avoided if the amount is fully recontributed within 3 years. Related purposes include a COVID-19 diagnosis for you, your spouse or dependent, or experiencing financial hardship as a result of impact on work or lack of child care.</td>
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<td><strong>Qualified retirement plan loan provisions</strong> are broadened to allow loans up to $100,000 (increased from $50,000) and a longer repayment period. This applies to loans made within 180 days of enactment.</td>
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**Student Loans**
- Certain student loan payments and accrual of interest are suspended through September 30, 2020. Employers also may make student loan payments on behalf of employees (up to $5,250) with those amounts excluded from employee income. Contact your loan provider for information about your specific student loan.

**Charitable Contributions**
- A charitable deduction of up to $300 is allowed for taxpayers who do not itemize their deductions.
- The adjusted gross income (AGI) limitation is waived for cash contributions made in 2020. Donor advised funds and private non-operating foundations are excluded.

**For Businesses:**

**Employment Taxes**
- Employers and self-employed individuals may defer payment of the employer share of applicable payroll taxes beginning on the date of enactment through the remainder of 2020. The deferred payment may be paid over 2 years, half in 2021 and half in 2022.
- Employers may be eligible for a payroll tax credit for 50% of qualified wages paid in 2020 where business operations are impacted by COVID-19 crisis. The impact is based on suspension of operations or tests applicable to a reduction in gross receipts.
- Note: The credit does not apply if you take a Small Business Interruption Loan (as part of the Paycheck Protection program; see below).

**Business Losses**
- Net operating losses (NOLs) from 2018, 2019, or 2020 may be carried back 5 years. However, these rules do not apply to real-estate investment trusts (REIT).
- The 80% income limitation on use of NOLs is waived for 2018, 2019, and 2020.
- The excess business loss limitation of $250,000 (single) and $500,000 (married filing jointly) is waived for 2018, 2019, and 2020 allowing business owners to deduct current year losses of any amount against other non-business income.

**Charitable Contributions**
- The taxable income limitation for 2020 charitable contributions made by corporations is increased from 10% to 25%, if the contributions are made in cash to qualified charities. Donor advised funds or other supporting organizations are specifically excluded.

**SBA Loan Paycheck Protection Program**
- Under the new Paycheck Protection Program, certain qualified businesses may be eligible for Small Business Administration (SBA) loans up to $10 million. Certain SBA loans may be eligible for loan forgiveness where amounts are used for payroll, mortgage interest, rent, and utilities. The cancellation of indebtedness is not taxable.

**Other Business Provisions**
- Accelerated use of corporate alternative minimum tax (AMT) credits remaining from prior years.
- Increase in the interest expense deduction limitation from 30% to 50% of taxable income in tax years beginning in 2019 and 2020, with the option of using the 2019 adjusted taxable income to compute the 2020 limitation.
- Reclassification of depreciation schedules for certain restaurant and qualified retail business property to be eligible for bonus depreciation.
SBA Loans: Economic Injury Disaster Loans

The provision through the SBA provides funding for special emergency loans of up to $2 million for eligible nonprofits and small businesses, with $10,000 paid within 3 days of application. The loans should permit the recipients to cover payroll costs, operations, debt service, etc. There are general eligibility requirements, nonprofit eligibility requirements, loan use requirements and loan forgiveness provision.

Many of these provisions contain detailed limitations and technical requirements that must be considered in order to determine if they apply to your situation. Consult with your team of trusted advisors to better understand how this legislation will truly impact your family, business and overall financial picture, and look for upcoming articles regarding planning considerations for you and your business.

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