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Coronavirus Aid, Relief, and Economic Security Act
Individual Taxpayer Benefits
(Updated through March 27, 2020)

Late Wednesday, March 25, the U.S. Senate passed the Coronavirus Aid, Relief, and Economic Security Act. The U.S. House of Representatives passed the bill on Friday, March 27. The President has enthusiastically indicated he would sign the bill into law. Thomas, Judy & Tucker, P.A. has followed this proposed legislation closely and would like to point out to you several provisions that would assist individuals during this time of great distress. We will keep you updated on the legislation's progress.

Recovery Rebates for Individuals

- A rebate equal to \$1,200 (\$2,400 in the case of eligible individuals filing a joint return) plus \$500 for each qualifying child (under the age of 17) would be issued as soon as possible.
- Income limits are as follows:
 - Joint Taxpayers - \$150,000 (phased out at \$198,000)
 - Head of Household - \$112,500 (phased out at \$148,500)
 - All Others - \$75,000 (phased out at \$99,000)
- If a 2019 tax return has not yet been filed, the Treasury will use the 2018 tax filing instead. In the event that a 2018 tax return has not yet been filed, the Treasury will use data provided by the Social Security Administration.

Special Use for Use of Retirement Funds

- Up to \$100,000 could be distributed from a qualified retirement plan without imposition of normal 10% early distribution penalty or without imposition of income tax **IF** the distribution is paid back within 3 years of the date such distribution was received.
- Qualified individuals would include those:
 - Who are diagnosed with Coronavirus
 - Whose spouse or dependents are diagnosed with Coronavirus, or
 - Who experiences adverse financial consequences as a result of being quarantined, furloughed or laid off due to Coronavirus
- The maximum amount that can be loaned from a qualified retirement plan would increase from \$50,000 to \$100,000 for 180 days following the enactment of bill.

Required Minimum Distributions Suspended

- Taxpayers would be exempt from taking a Required Minimum Distribution from their qualified retirement plans during 2020.
 - An exceptions to this exemption is if the taxpayer's first year of RMD is 2020.

Charitable Contribution Limitations Relieved

- Taxpayers would temporarily no longer be subject to the 60% of Adjusted Gross Income limitation for their **cash** charitable contributions.

- Additionally, taxpayers would be afforded up to \$300 in above the line deductions for charitable contributions made in cash. This would be beneficial to those taxpayers who do not itemize their deductions but instead, take the standard deduction.

Temporary Repeal of Excess Business Loss Limitations

- For tax (calendar) years 2018, 2019 and 2020, individual income tax returns would no longer be subject to the excess business loss limitations which stated that a taxpayer who is married filing joint was limited to a \$500,000 (\$250,000 for single filers) loss from a single business to be applied against other income. This would benefit business owners who have sustained significant business losses but have taxable income from other sources.

Removal of Limitations on Utilization of Net Operating Loss

- Individual income tax returns would no longer be subject to the 80% of taxable income limitation when utilizing Net Operating Losses carried forward from prior years. This would benefit taxpayers who have prior year losses carrying forward into 2019 or 2020.
 - For tax years beginning after December 31, 2020, the 80% limitation would be applicable.

Temporary Relief for Federal Student Loan Borrowers

- Individuals who have student loan debt under part D and part B (debt held by the Department of Education) of title IV of Higher Education Act of 1965, would receive a temporary suspension in their payments through September 30, 2020.
 - During this time period, interest would not accrue on the principal balance of the loan being temporarily suspended.
 - If the borrower is enrolled in a loan forgiveness program, the borrower would be deemed to have paid the principal payments so as to not forfeit the loan forgiveness eligibility.
 - Principal amounts suspended would have been deemed paid in reporting borrower's creditworthiness to consumer reporting agencies (Experian, etc.).