

PERSONAL TAX BREAKS AND INCENTIVES:

THE CARES ACT

Recovery Rebates for Individuals

- 1.** The Treasury Department will be mailing, or direct depositing, U.S. taxpayers a check for \$1,200 per person (\$2,400 for married filing joint returns) and \$500 per qualifying child. Those individuals who are dependents will **not** receive separate rebates.
- 2.** The amount of the rebate depends on your adjusted gross income reported on your 2019 tax return (2018 returns if 2019 has not be filed):
 - a.** For single filers, the credit begins to phase out when your AGI reaches \$75,000. The phase out percentage is 5%. So, for every dollar above \$75,000 you would lose 5 cents of credit. You can estimate the amount by reducing your credit by \$50 for every \$1,000 your AGI is above \$75,000.
 - b.** For Head of Household Filers, the credit begins to phase out at \$112,500; and
 - c.** For Married Filing Joint Filers, the credit begins to phase out at \$150,000.
- 3.** This credit will be recomputed on your 2020 tax return. In the event that your AGI dropped below the phase-in range, you will get the credit on your 2020 tax return.
- 4.** There is not currently a mechanism that would require you repay the credit if your 2020 AGI is higher than 2018 or 2019.

Retirement Fund Withdrawal Rules

- 1.** You are allowed to withdraw up to \$100,000 from a qualified retirement plan for a Coronavirus-related distribution in 2020 without amending your plan document.
- 2.** A Coronavirus-related distribution occurs when you, a family member, or a dependent are diagnosed with the virus or you have lost income as a result of the virus.

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- 3.** The distribution will not be subject to a 10% penalty and the income tax on the distribution will be spread out over a three-year period.
- 4.** You are not required to take a minimum distribution in 2020.

Self-Employment Provisions for Individuals

- 1.** You are allowed to defer 25% of your self-employment tax liability to December 31st, 2021, and another 25% to December 31st, 2022. This will reduce any estimated taxes you are required to pay in 2020.
- 2.** You are allowed to apply for a Paycheck Protection Loan to cover part of your income. You will want to have 1099s, payroll tax forms, and income statements available to prove your self-employment compensation.
- 3.** The Business Loss Limitation rules that limited business losses to \$500,000 have been suspended, allowing you to take the full amount of any business loss on your tax return.

Income Tax Provisions for Individuals

- 1.** Individuals can now take a \$300 deduction for qualifying charitable contributions against AGI for 2020. You will get this deduction regardless of whether you itemize or take the standard deduction.
- 2.** An employer can now pay for up to \$5,250 of your student debt obligations tax free. Any amounts paid would decrease other tax-free education benefits you receive from your employer.
- 3.** The limitation on charitable contributions (previously 60% of AGI for donations to public charities) has been suspended for 2020 and you are allowed to deduct contributions up to 100% of your AGI.