

Individual Provisions Under the CARES Act

Unemployment Insurance Provisions

Benefit. The worker will receive an immediate benefit (i.e., no one week waiting period) for an additional \$600 per week for up to four months. This \$600 amount applies even if the worker is currently making less than \$600 per week. Additionally, 13 weeks of unemployment compensation benefits may apply to the worker for participating states.

To whom does this benefit apply? The Act provides Federal funding for unemployment compensation to workers (“gig economy workers”, e.g., independent contractors, online platform workers, contract firm workers, on-call workers and temporary workers) who are adversely impacted by COVID-19, who are not otherwise covered by state unemployment compensation, or alternatively, if such workers have exhausted their state unemployment compensation benefits. If a worker is covered by this provision, the worker will receive the same unemployment compensation benefit as a regular employee receives under the applicable state unemployment compensation law.

Note. In addition to administrative and implementation provisions, the Act provides similar enhanced unemployment compensation benefits under the Railroad Unemployment Insurance Act.

Rebates

Recovery Rebates.

Benefit. The rebate is an advance refund of credits against 2020 taxes, in an amount equal to:

- \$1,200 for individuals or
- \$2,400 for joint filers

An **additional** \$500 credit for each child is also available.

The amount of the rebate is subject to a phase-out by \$5 for every \$100 in excess of the threshold amount. The threshold amounts are based on a taxpayer’s 2018 “***adjusted gross income***” (***AGI***), unless the taxpayer has already filed a 2019 tax return. The phase-out begins at:

- Single filers, \$75,000; completely phased-out for AGI over \$99,000
- Heads of households, \$112,500, completely phased-out for AGI over \$136,500
- Joint filers, \$150,000, completely phased-out for AGI over \$198,000

To whom does this benefit apply? The rebate is available to all United States taxpayers, even if the taxpayer has no income. It applies to individual filers, joint filers, and those who file as head of household. The rebate applies to those taxpayers who are not:

- A nonresident alien,

- Able to be claimed as a dependent on another taxpayer's tax return,
- An estate or a trust, and
- Must have included a Social Security number for the taxpayer, spouse, and eligible children, as applicable.

Note. The rebates are exempt from offset to pay debts owed to other federal agencies, state income tax obligations, and unemployment compensation debts. However, the rebates are not exempt from past-due support. The Treasury and the Internal Revenue Service (IRS) also must coordinate with the Social Security Administration and other agencies to conduct a public awareness campaign regarding the availability of the rebates.

Other Individual Provisions

Retirement Provisions

Several changes to retirement plans are included in the Act:

- Extension of the due date for IRA and plan contributions until July 15, 2020,
- Addition of a provision permitting a one-year delay in required minimum distributions (RMDs) for defined contribution plans described in Code section 401(a), as well as for defined contribution plans described in section 403(a) and (b), IRAs, and section 457 plans. Thus, the change does not appear to apply to defined benefit plans. The delay applies to both 2019 RMDs that needed to be taken by April 1, 2020 and 2020 RMDs. The Act also adds the special rollover rule similar to the one enacted in 2009, allowing amounts subject to the RMD rules in 2020 to be rolled over.
- A waiver of the 10% penalty tax for premature distributions related to the coronavirus for amounts not to exceed \$100,000 from all plans. The following rules apply:
 - The penalty-free distribution provision covers retirement plans **and** IRAs,
 - Amounts distributed may be repaid at any time over the three-year period beginning on the date the distribution was received,
 - Amounts can be paid to a qualified retirement plan or an IRA so long as the account is one to which a rollover contribution could be made under the Internal Revenue Code,
 - The distribution provision applies to individuals who have been diagnosed with COVID-19 by a test approved by the Centers for Disease Control (CDC), their spouse or dependent who has been diagnosed by such a test, or a person who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, or suffered reduced working hours, or who is unable to work due to lack of child care. The participant can certify that this situation applies,
 - If distributed amounts are not repaid, the income inclusion with respect to any coronavirus distribution can be included ratably over the three taxable years beginning with the taxable year in which the distribution was received, and
 - Distributions will be deemed to meet the permissible distribution requirements of IRC section 401(k), i.e., they will satisfy the hardship distribution provisions of the IRC.

- An increase in the dollar amount available for loans from qualified plans from \$50,000 to \$100,000 and an increase in the percentage test limit for loans from half the present value of the participant's benefit to the present value of his entire benefit under the plan. The Act allows the repayment of loans due between the date of the Act's enactment and before the end of 2020 to be delayed for one year from the original due date. Subsequent loan repayments must be adjusted to reflect the delay in the 2020 repayment and any accrued interest.

Charitable Contributions

The Act provides tax incentives to individual taxpayers who make charitable contributions for the 2020 tax year, encouraging individuals to contribute to churches and other charitable entities by favorably modifying some of the income tax charitable contribution limits.

Specifically:

- The Act permits an above-the-line deduction of up to \$300 for charitable contributions made by individuals, allowing an individual to receive, if applicable, an income tax charitable deduction for a charitable contribution, even if the individual does not itemize deductions.
- The AGI percent limitations are increased for all taxpayers and for specific types of contributions.
 - For the 2020 tax year:
 - Individuals: Charitable contribution deduction generally limited to 50% of AGI, receives and unlimited itemized deduction.
 - Corporations: Charitable contribution deduction generally limited to 10% of AGI, increases to 25%.
 - Contribution of food inventory: Charitable contribution of food inventory generally limited to 15% of AGI, increases to 25%.

Treatment of Student Loans

The Act provides for an exclusion of up to \$5,250 from income for payments of an employee's education loans provided from an employer. This exclusion applies to:

- a loan which was incurred by the employee for the education of the employee (i.e., not to pay for an employee's child),
- the payment of the loan can be made by the employer on behalf of the employee and paid either to the employee or directly to the lender,
- the exclusion only applies for payments made by an employer after the date of enactment of the Act and before January 1, 2021.
- the \$5,250 limitation applies to both the new student loan repayment benefit as well as other educational assistance (including, tuition, fees, books) provided by the employer.