



MORGIA

**WEALTH
MANAGEMENT™**

CARES ACT Summary

This summary is provided for clients of Morgia Wealth Management. It is broken up into three sections: **Taxpayers, Retirement Plans and Retirees, and Small Businesses**. The information in this document is subject to change. Please check the Treasury.gov and SBA.gov sources listed in the **Sources** section for the most up to date from the federal government.

We will send out a separate document with more information on Small Businesses to clients who are business owners.

Taxpayers

Direct Cash Payments

- **Individuals:** Individuals who are Single Filers, will receive a direct cash payment of \$1,200 if they make under \$75,000. The benefit incrementally decreases at the \$75,000-\$99,000 income level. If income is above \$99,000, the individual will receive no benefit. The income limit starts at \$112,500 for individuals who file Single/Head of Household.
- **Households** – Those who file their tax return as Married Filing Jointly will receive \$1,200 per adult and \$500 per dependent if combined income is under \$150,000. The benefit incrementally decreases at the \$150,000 - \$198,000 income level. If income is above \$198,000, no benefit will be received.
- **Incremental Change in Cash Payment Based on Income:** Cash payments will be reduced by \$50, for every \$1,000 of income over respective income level levels (\$75,000 for single filers, \$112,500 for single heads of households and \$150,000 for married filing jointly).
- **Cash Payment Taxability:** The cash payment is non-taxable.
- **Cash Payment to those on Social Security:** Those collecting Social Security are still eligible, even if they **do not** file a tax return.
- **Cash Payment & Tax year:** Individuals/households may use 2018 tax returns if 2019 are not complete.

Tax Return Deadline

- The 2019 tax filing deadline has been extended to July 15, 2020. If you file for a further extension, your tax return will be due October 15, 2020.
- First quarter 2020 estimated tax payment deadline has been extended to July 15, 2020
- Second quarter 2020 estimated tax payments are still due June 15, 2020.
- The extension only applies to Federal Tax Returns. Many states have extended their tax return dates, including New York State to align with the Federal date.

Student Loans

- For Federal Student Loans all principal & interest payments are deferred until September 30, 2020.

Unemployment

- An additional \$600 per week will be applied on top of existing unemployment benefits, for four months. Total cost for this program is expected to be \$260B.

Retirement Plans and Retirees

A “coronavirus-related distribution” includes any distribution made between the date of enactment and December 31, 2020, to a person who has one of the following:

- A diagnosis of COVID-19 by a test approved by the CDC
- A spouse or dependent who has been diagnosed
- A person has experienced financial consequences due to being furloughed, quarantined or laid off or having their paid work hours reduced due to coronavirus or the close or reduction of a business due to coronavirus.

Contributions

Like the extension of the deadline for federal and NYS taxes, the deadline for contributions for 2019 has been extended to July 15, 2020.

Required Minimum Distributions

Any RMD required to be made in the year 2020 is waived. Includes Beneficiary IRA with the 5 - or 10 - year rule. Those time limits have been extended by one year.

- If a distribution is made in 2020 that would have been treated as an RMD, it can be rolled over in accordance with the 60-day rollover rules.
 - If you have already taken your RMD this year, you have 60 days from the date of distribution to re-deposit back into your retirement account.
- This applies to 401(k)s, 403(b)s, 457 plans and IRAs.
- If you currently draw funds monthly for your RMD and do not need those funds, or have another place to take them from, call our office and we can stop sending the monthly draws. This will help reduce your taxable income taken from the IRAs.

Distributions

Participants are eligible to take a “coronavirus-related distribution” of as much as \$100,000 or up to 100% of the balance.

- **10% Early Distribution Penalty** – For distributions made before age 59 1/2, the 10% penalty has been waived. This applies to distributions from IRAs, 401(k)s, 403(b)s, 457 plans, etc....
- **Tax on Distributions** – Distributions will still be included as taxable income and subject to regular income taxes due on the distribution, however you may elect to spread the tax over a three-year period.
 - The 20% withholding is not required.
- Distributions may be re-paid back into account within three years of the date of distribution and will be treated as a rollover contribution.

Loans

A “qualified loan” is any new or pre-existing loan to a person who would be eligible to receive a coronavirus related distribution.

- The maximum loan amount for qualified loans increased to \$100,000. Specifically, the amount went from 50% of the vested account balance not to exceed \$50,000 to 100% of the vested balance not to exceed \$100,000.
 - This increase applies to loans taken for a period of 180 days (6 months) **after date of enactment**.
- Any participant who qualifies for a coronavirus-related distribution that has an outstanding loan balance and loan payments (**on or after the date of enactment**), payments are delayed for one year.

Small Businesses

Paycheck Protection Program (PPP): Small businesses (500 or fewer employees) will have access to \$350 billion in federally guaranteed loans. This includes non-profits, self-employed individuals, sole proprietorships, and independent contractors. The loans will be provided on a first come, first serve basis.

- Funds will be provided for up to 250% of 4 weeks of payroll costs including benefits such as paid sick or medical leave, insurance premiums and retirement plan benefits. The funds may also be used to pay interest on mortgages/rent and utility payments incurred before February 15, 2020.
- The loans may be forgiven if the business uses at least 75% of the funds for payroll. They also must maintain compensation levels and employee headcount.
 - Forgiven funds will be reduced for any employer who reduces wages by more than 25%.
 - Any laid off employee must be rehired by June 30, 2020.
- If headcount is reduced **or** less than 75% of the loan is used for payroll, the loan may be subject to payback.
 - Term is a 2-year loan maturity with a fixed interest rate of 1.00%.
 - Loan payments will be deferred for six months, although interest will continue to accrue
 - No collateral or personal guarantees will be required to secure a loan.
 - The loan process has been revamped so loans can be expedited.
- Total loan amount is capped at \$10 million.
- Compensation is maxed out at \$100,000 annually per employee.

Small businesses and sole proprietorships can apply starting April 3, 2020 and Self-employed individuals and independent contractors can apply starting April 10, 2020 for these loans at local SBA approved financial institutions and credit unions. **Applications and payroll documentation must be submitted with enough time for the lenders to process the loans before the June 30, 2020 deadline.** Visit www.sba.gov for a list of SBA approved lenders.

Sources

- **Bloomberg Summary:** <https://www.bloomberg.com/news/articles/2020-03-25/what-s-in-congress-2-trillion-coronavirus-stimulus-package>
- **NPR Summary:** <https://www.npr.org/2020/03/26/821457551/whats-inside-the-senate-s-2-trillion-coronavirus-aid-package>
- **Cash payment Info:** <https://www.nbcnews.com/politics/congress/coronavirus-checks-direct-deposits-are-coming-here-s-everything-you-n1168936>
- **PPP (Small Business section of the act)**
<https://www.forbes.com/sites/rohitara/2020/03/27/22-trillion-cares-act-provides-a-lifeline-to-small-businesses/#35cf5fce60cf>
- **Empower Retirement:** <http://dcprovider.com/et/empower/WF475451/instant-insights-cares-act.pdf>
- **U.S. Small Business Administration:** <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>
- **Forbes:** <https://fortune.com/2020/03/31/sba-small-business-loans-paycheck-protection-program-who-qualifies-when-how-to-apply-how-much-pay-back-ppp-coronavirus-stimulus-faq/>
- **Treasury.gov:** <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

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