



The CARES Act

On March 27, 2020, President Donald Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Act is a nearly 2 trillion-dollar economic stimulus package aimed at helping individuals, families and businesses withstand the slowdown that has occurred due to the COVID-19 virus. The Act is around 900 pages, but we have outlined some of the key provisions below:

PROVISIONS THAT IMPACT INDIVIDUALS/FAMILIES

- **Recovery Rebates.** Taxpayers may be eligible for a recovery rebate check of up to \$1,200 for individuals or \$2,400 for joint filers plus an additional \$500 for each child under the age of 17 (subject to certain exceptions), directly from the federal government. The exact amount of the check is determined by an individual's tax filing status, how many eligible children the taxpayer has, as well as their Adjusted Gross Income for tax year 2018 or 2019 (whichever is the most recent year filed). The checks started going out around April 13th 2020, and the IRS recently released a website where you can go to check on the status of your rebate check here: <https://www.irs.gov/coronavirus/get-my-payment>
- **Temporary waiver of Required Minimum Distributions.** Individuals who have an employer sponsored retirement plan (i.e. 401(k), 403(b)) and IRA accounts as well as owners of beneficiary IRA's will not be required to take a distribution for the year 2020. If the distribution from the 401(k)/403(b)/IRA has already been taken for the year, there may be an opportunity to roll this back into the account.
- **Coronavirus-Related Distributions.** Individuals who have been impacted by COVID-19 may be permitted to make up to a \$100,000 distribution from an employer sponsored plan (i.e. 401(k), 403(b)) or IRA, regardless of their age. If they meet the IRS' definition of being impacted by COVID-19, the distribution will not be subject to the 10% early withdrawal penalty that is usually assessed on these distributions or the 20% mandatory tax withholding that is typically assessed on employer sponsored retirement plan distributions. Individuals may also be permitted to pay the distribution back over a 3-year period or spread the income out over a 3-year period.
- **Enhancements to Loans from Employer Sponsored Retirement Plans.** The maximum loan amount from certain defined contribution plans (i.e. 401(k), 403(b)) has been increased to 100% of the vested balance up to a maximum of \$100,000 for individuals that have been affected by the Coronavirus. Historically this figure was only 50% of their vested plan balance up to a maximum of \$50,000. Payments that would be made on the loan may also be delayed for 12 months.


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The CARES Act special commentary continued ...

- **Enhancements to Unemployment Benefits.** Because a number of people have already lost their jobs and the anticipation is that many more will, the CARES Act temporarily increases the maximum amount of “regular” unemployment insurance that an individual can receive by \$600 for up to 16 weeks. The Act also extended the length of time an individual can receive unemployment benefits by 13 weeks and made benefits available to people who may not traditionally qualify for it, such as self-employed individuals.

Another provision in the Act aimed at helping “small” businesses was the Paycheck Protection Provision (PPP).

This provision allows businesses with fewer than 500 employees the opportunity to apply for a loan through the Small Business Administration (SBA) that would help them cover certain expenses such as payroll, rent and utilities throughout the economic slowdown. Not only were these loans made available with very favorable terms, but if they are used properly and certain other conditions are met, these loans may be forgiven altogether which could prove to be a significant help for millions of small businesses in the United States. 

For additional information and extra resources about the CARES Act see the links below:

- Link to the CARES Act:
<https://files.taxfoundation.org/20200325223111/FINAL-FINAL-CARES-ACT.pdf>
- Summary of CARES Act from the National Law Review (More Comprehensive):
<https://www.natlawreview.com/article/summary-cares-act>
- Infographic Summary of What’s In the CARES Act from the Peter G. Peterson Foundation:
<https://www.pgpf.org/infographic/whats-in-the-cares-act-heres-a-summary>