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COVID-19 RESPONSE

CARES Act: Individual Provisions

The Act includes several benefits designed to keep individuals and their families on their feet and engaged in the economy.

First, the Act will provide eligible individual taxpayers with a rebate checks of \$1,200 for single filers and \$2,400 for those filing jointly. Additionally, eligible taxpayers can receive a \$500 tax credit per qualifying child. The aforementioned tax credits will be phased-out by 5% of every dollar the taxpayer's adjusted gross income exceeds: (1) \$150,000 for married couples filed jointly, (2) \$112,500 for heads of household, and (3) \$75,000 for all other types of filers.

Second, the Act provides tax relief to individuals who elect to receive a "coronavirus-related distribution," which is defined under the Act as any distribution from an eligible retirement plan made: (i) on or after January 1, 2020 and before December 31, 2020, (ii) to any individual who is diagnosed with COVID-19, whose spouse or dependent is diagnosed with COVID-19, or who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, had hours cut, or other factors as determined by the Secretary of the Treasury during the COVID-19 pandemic. Under the Act, individuals who elect to receive a coronavirus-related distribution will not be subject to the Internal Revenue Code's traditional 10% tax penalty for early withdrawals from eligible retirement accounts, for all distributions up to an aggregate amount of \$100,000.

Third, the Act provides that for the 2020 calendar year, no one will have to take a required minimum distribution from any individual retirement accounts or workplace retirement savings plans. This is intended to protect individuals from being forced to sell investments that may have fallen in value, which would lock in losses.

Additional individual provisions under the CARES Act:

- Taxpayers who itemize deductions may make cash contribution of up to \$300 to a qualifying public charity and deduct the contribution as an above-the-line deduction to arrive at adjusted gross income.
- For those who itemize deductions the Act temporarily waives the limits on charitable giving for 2020, allowing cash contributions to public charities to be deducted up to 100% of AGI for 2020, and allows any excess contributions to be carried over for 5 years.
- An employer can pay up to \$5,250 in 2020 towards an employee's Master degree and/or for the employee's student loan obligation on a tax-free basis.

- All payments due for federal student loans held by the Department of Education are suspended through September 30, 2020. During the temporary suspension interest will not accrue, and lenders will be prohibited from pursuing involuntary collection practices such as wage garnishment, reduction of tax refund, reduction of any other federal benefit payment, and any other involuntary collection activity.