

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Individual Tax Provisions

Individual recovery rebate/credit - Under the CARES Act, an eligible individual is allowed an income tax credit for 2020 equal to the sum of: (1) \$1,200 (\$2,400 for eligible individuals filing a joint return) plus (2) \$500 for each qualifying child of the taxpayer. The amount of the credit is reduced if the taxpayer's adjusted gross income (AGI) is in excess of: (1) \$150,000 for a joint return, (2) \$112,500 for a head of household, and (3) \$75,000 for all other taxpayers. Even though the credit is technically for 2020, the law treats it as an overpayment for 2019 that IRS will rebate as soon as possible during 2020.

IRS will refund or credit any resulting overpayment as rapidly as possible. No interest will be paid on the overpayment. If an individual hasn't yet filed a 2019 income tax return, IRS will determine the amount of the rebate using information from the taxpayer's 2018 return. If no 2018 return has been filed, IRS will use information from the individual's 2019 Form SSA-1099, Social Security Benefit Statement, or Form RRB-1099, Social Security Equivalent Benefit Statement.

Retirement Distributions - The CARES Act provides that the 10% additional tax does not apply to any coronavirus-related distribution, up to \$100,000. The distribution will still be subject to income taxes, but will be included ratably over a 3-tax-year period. Any distributions can be contributed back into the retirement plan.

Required Minimum Distribution rules temporarily waived - The CARES Act provides that the RMD requirements do not apply for calendar year 2020 for distributions from defined contribution retirement plans and IRAs.

Charitable Contributions - The CARES Act adds a deduction to the calculation of gross income, in the case of tax years beginning in 2020, for the amount (not to exceed \$300) of qualified charitable contributions made by an eligible individual during the tax year. For taxpayers itemizing deductions, charitable contributions can be deducted up to 100% of adjusted gross income, an increase from 60%.

Employer Payment of Employee Student Loans - The CARES Act adds to the types of educational payments that are excluded from employee gross income "eligible student loan repayments" made before January 1, 2021. The payments are subject to the overall \$5,250 per employee limit for all educational payments.

This is a summary of the provisions. We expect to gain a greater understanding of the provisions in the coming days and weeks.