

Coronavirus Federal Tax Relief Details

In response to the spread of the coronavirus, the federal government has approved a \$2 trillion-plus stimulus plan, referred to as the CARES Act, and extended deadlines for tax filing and payments. Here is a summary of the latest changes and important dates to remember:

Tax Filing and Payment Extensions

- Federal income tax filings and payments [are now due July 15, 2020](#), extended from April 15, 2020, for individuals, trusts, and corporations. The extension is automatic and no separate form is required. There is no limit on the amount of tax postponed, penalty and interest free.
- First quarter 2020 estimated tax payments due April 15, 2020, are now due July 15, 2020. Relief does not apply to second-quarter estimates which are still due June 15, 2020.
- Federal gift tax returns and payments are extended to July 15, 2020.
- Deadline for 2019 IRA and health savings account (HSA) contributions is July 15, 2020.

Several states have followed the federal extensions. Check your [state tax agency](#) for details. The IRS is also offering [answers to the most FAQs](#) regarding the new rules.

CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27. The act is aimed at providing relief for individuals and businesses that have been impacted by the coronavirus outbreak. Among the provisions are:

2020 economic impact payments. These are a refundable income tax credit against 2020 income of up to \$2,400 for married couples filing a joint return and \$1,200 for single filers. An additional credit of \$500 is provided for each child a taxpayer has under the age of 17. These credits begin phasing out at \$75,000 of adjusted gross income for single taxpayers and \$150,000 for joint filers. The credit is completely phased out at \$99,000 and \$198,000 – for single and joint filers, respectively. These credits will be paid to taxpayers by check or direct deposit in April/May of 2020. [Check the IRS website for additional details.](#)

Required minimum distributions (RMDs) waived for 2020. RMDs for owners and beneficiaries of retirement plans have been eliminated for 2020. RMDs for individuals who turned 70 ½ in 2019 but deferred their first distribution to 2020 are also waived. Neither the 2019 nor 2020 RMDs will need to be taken in this case.

RMDs already taken in 2020 can be returned to the retirement account using the 60-day rollover strategy. This rollover applies only to account owners, not beneficiaries. Additionally, non-designated beneficiaries who inherited a retirement account from a decedent dying between 2015 and 2019 now have six years instead of five years to distribute the account.

Additional retirement plan benefits.

- The 10% early distribution penalty on up to \$100,000 of 2020 distributions from IRAs and company plans for coronavirus-affected individuals* is waived. These distributions will still be subject to income tax. The tax on distributions can be spread evenly over three years. The funds can also be repaid to the retirement account any time within the three-year period.
- Distributions from employer-provided plans are not subject to required federal withholding of at least 20%.
- 401(k) loan limit is increased to \$100,000 from \$50,000.

*As defined by the CARES Act

Enhanced charitable deduction. The act eliminates the adjusted gross income limitation (previously 60%) on cash charitable deductions. Individuals may deduct cash of up to 100% of their adjusted gross income in 2020. The act also provides up to a \$300 cash charitable deduction for those who do not itemize deductions. These enhanced contributions may not fund donor-advised funds, private foundations, or other supporting organizations.

Enhanced net operating loss (NOL) use. NOLs incurred in 2018-2020 can now be carried back up to five taxable years. These losses were previously not eligible for carryback. Also, up to 100% of taxable income in 2018-2020 can be offset by NOLs. Previously, NOLs could offset only up to 80% of taxable income in 2018-2020.

If you have questions about how the new rules affect you, please contact your William Blair representative.