



Dear clients and friends,

Fast on the heels of passing the Families First Coronavirus Response Act (a law which ensures paid sick leave and unemployment benefits for employees affected by the COVID-19 pandemic along with payroll tax credits for affected employers), Congress passed and the President signed the CARES Act - a massive economic relief package with numerous tax breaks - on March 27, 2020.

For individuals, the most important form of tax-related relief may be the recovery rebate tax credits, which are direct payments (sometimes referred to as "stimulus checks") the government will be making to those with income under a certain level. For businesses, key tax-related provisions include a payroll tax credit to encourage employee retention, an extension of the time for paying employment taxes, and a small business loan program with provisions for converting qualifying loans to grants (which do not have to be repaid).

The following are the key tax provisions of the CARES Act.

CARES Act Tax Relief for Individuals

Direct Payments: Single individuals and joint filers can expect to receive a payment of \$1,200 or \$2,400, respectively, plus \$500 for each qualifying child. However, the rebate is reduced (but not below zero) by 5 percent of the amount by which the taxpayer's adjusted gross income exceeds (1) \$150,000 in the case of a joint return, (2) \$112,500 in the case of a head of household, and (3) \$75,000 in the case of a single taxpayer or a taxpayer with a filing status of married filing separately. Rebates will be issued based on 2019 income tax returns, or 2018 returns for individuals who haven't yet filed in 2019. The rebates are eligible for electronic disbursement to any account to which the payee authorized, on or after January 1, 2018, the delivery of a refund of taxes or of a federal tax payment, including federal retirement benefits.

Using Retirement Funds Without Penalty: The CARES Act waives the 10% early withdrawal penalty for coronavirus-related distributions from retirement plans and provides the option of recontributing the funds for up to three years after such distributions are made. A "coronavirus-related distribution" is any distribution from an eligible retirement plan made: (1) on or after January 1, 2020, and before December 31, 2020, (2) to an individual (i) who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention, (ii) whose spouse or dependent is diagnosed with such virus or disease by such a test, or (iii) who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, the closure or reduction of hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

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