

On March 27, 2020, President Trump signed the “Coronavirus Aid, Relief, and economic Security Act” (the CARES Act). The CARES Act provides an estimated \$2+ trillion of aid for cash rebates for individuals, lending for small business, among other relief for certain industries. The following are provisions that may be of benefit to you. Should you have questions, or wish to discuss, please reach out to your Hellam Varon contact.

Individual relief within the CARES Act

Recovery Rebate Checks: The Act will provide a rebate up to \$1,200 for individuals and \$2,400 for married couples, plus \$500 per qualifying child. These amounts will decrease for individuals with Adjusted Gross Income above \$75,000 (\$150,000 for married-filing jointly couples and \$112,500 for heads of households), and will be completely phased out for single filers without a child with income over \$99,000 (\$198,000 for married filing jointly and \$146,500 for heads of households). The rebate checks will be issued using a taxpayer’s 2019 individual tax return if one has been filed, or their 2018 tax return if not.

Retirement plan distributions: An individual or spouse who has been diagnosed with COVID-19, or who has experienced certain adverse financial consequences as a result of the virus, may make a distribution from a qualified retirement plan of up to \$100,000 without incurring a 10% early distribution penalty. The distribution can be included in income over a three year period.

Retirement plan RMD waived for 2020: the CARES Act provides that taxpayers are not required to make a required minimum distribution during the calendar year 2020.

\$300 above the line charitable deduction: A qualified charitable contribution of not more than \$300 cash is allowed as a deduction for individuals who do not itemize deductions.

Cash charitable contributions during 2020: Individuals making cash contributions to certain charitable organizations (churches, education organizations, hospitals, and medical research organizations), will not be subject to the 60% limit of their Adjusted Gross Income. Certain contributions, such as those to a donor advised fund, are excluded from this rule.

Business Tax provisions within the CARES Act

Paycheck Protection Program: The CARES Act provides Small Business Administration backed loans of up to \$10 million to qualifying businesses that will use the funds to retain employees and continue operations. The loan amount is 2.5 times of the average payroll costs of the business. The loans do not require the personal guarantee of business owners, and statement must be signed that the funds will be used for payroll costs, mortgage interest, rent and / or utility payments.

These loans can be forgiven, without income tax consequences, if the amounts are used within eight weeks of receiving the loan, for the purposes stated above. Employee compensation greater than \$100,000 in annualized wages will not be eligible for forgiveness, and the employers must maintain their workforce comparable to prior year's employment, and not reduce employee compensation more than 25%.

Employee Retention credit: For a business that has had operations fully or partially suspended as the result of a government order limiting commerce, travel or group meetings, the Act provides a refundable payroll tax credit of 50% of wages and health benefits paid to employees between March 12 – December 31, 2020. The business must have had 100 or fewer full-time employees in 2019 to receive the full benefit. Larger companies may qualify for reduced benefits. Limitations will apply for benefits received for wages paid under the Families First Coronavirus Act, Family Medical Leave Act, or businesses receiving a Small Business Interruption Loan.

Delay of employer payroll taxes: Employers can defer paying the employer portion of certain payroll taxes through the end of 2020. 50% of the employer payroll taxes deferred in 2020 must be paid by December 31, 2021, and the remaining portion before December 31, 2022. This rule also applies to 50% of the self-employment tax.

Net Operating Losses (NOLs): The CARES Act allows for a five year carryback of NOLs, for years beginning after December 31, 2017 and before January 1, 2021. The taxable income limitation for carrybacks within these years is also removed, allowing to fully offset income.

Losses for non-corporate taxpayer modification: Business losses in excess of \$250,000 are now allowed to be deducted for losses incurred in 2018 – 2020.

Deductibility of interest expense temporarily increased: The CARES Act temporarily and retroactively increases the limit of the deductibility of interest expense, from a limit of 30% of adjusted taxable income, to 50%.

Bonus depreciation for qualified improvement property: The CARES Act provides a technical correction, allowing 100% bonus depreciation to be claimed for certain improvement property placed in service after December 31, 2017.

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