



*Jones, Nale & Mattingly PLC*

## **From your JNM Tax Team**

In these uncertain and challenging times, JNM is here to offer advice and assistance navigating your business through the various series of news laws and guidance that has been finalized by the Federal Government over the past 2 weeks. The following is a detailed description of the various aspects of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that we believe will be most helpful. We encourage our clients to carefully review the various aspects of the CARES Act. JNM has developed various tools to advise and assist you with navigating this new law.

### **The CARES Act – Tax Provisions for Individuals**

#### **Overall**

All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible Social Security number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$500 per child. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits. The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.

#### **Charitable Deductions**

Allows charitable deductions of up to \$300 to churches and charitable organizations in 2020 regardless of whether contributors itemize their deductions or not.

Increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50 percent of adjusted gross income limitation is suspended for 2020. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

#### **Retirement Plan Withdrawals**

Waives the 10 percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after Jan. 1, 2020. In addition, income attributable to such distributions would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief. A coronavirus-related distribution is a one made to an individual: 1) who is diagnosed with COVID-19, 2) whose spouse or dependent is diagnosed with COVID-19, or 3) who experiences adverse financial

consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary. Waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts during the economic slowdown due to COVID-19.