

Highlights of The CARES Act – What it Means for You

April 2020

On March 27, 2020, The Coronavirus Aid, Recovery, and Economic Security (CARES) Act was signed into law by President Trump. This sweeping \$2.2 Trillion stimulus law establishes many programs, loans, grants, tax credits and other benefits to aid individuals, small businesses, nonprofits, independent contractors, and other entities during this time of uncertainty. The main purpose of the CARES Act is to provide individuals and small businesses with the cash they need to meet their obligations, and to retain employees, until it is safe for our economy to re-open. In this communication, we will highlight some of the most beneficial provisions of the CARES Act that are most likely to impact you. If you would like to read the entire CARES Act, you can find it [here](#):

SMALL BUSINESSES/INDEPENDENT CONTRACTORS

The Payroll Protection Plan (PPP) Loan

This provision of the CARES Act is really “too good to be true.” If a business owner, independent contractor, or a nonprofit organization can establish they have suffered economic harm as a result of COVID-19, these entities may apply in-

person, through their bank or online for this “loan” from the Small Business Administration. Your bank will administer the loan. Click [here](#) to obtain a copy of the PPP application.

Some key takeaways for the PPP program follow:

- Apply as early as possible for these funds; they are on a first come, first served basis.
- The deadline by which to apply is June 30.
- 100% of this “loan” can be forgiven if you can establish that 75% or more of the money you borrowed was used for payroll expenses in addition to other requirements.
- Post-June 30, 2020, you must request “forgiveness” in writing from your lender. At the time you make your application, ask your lender what you specifically need to do to ask for forgiveness for this “loan.”

Economic Injury Disaster Loan (“EIDL”) Program

The purpose of this program is to help businesses and independent contractors

resume operations during a declared disaster such as the COVID-19 pandemic. Small businesses and independent contractors may apply for an immediate \$10,000 grant to assist with emergency cash needs. There is a \$1,000 cap per employee and a maximum grant of \$10,000. This advance may be rolled into a PPP loan. You can click [here](#) to apply for this emergency advance.

Further, you can apply for a low interest loan through the SBA's Economic Injury Disaster Loan Emergence (EIDL) program as well.

Payroll Tax Relief

Employers now have the option of delaying the payment of their share of social security payroll taxes until 2021 and 2022 (unless they receive a PPP loan and it is forgiven). Self-employed individuals will likewise have the option of deferring the payment of 50% of the social security tax on net earnings from self-employment income. Click [here](#) for more information.

RELIEF FOR INDIVIDUALS

Direct Stimulus Payments

Some American taxpayers will receive a one-time direct deposit (or check if your bank account information is not on file with the IRS or the Social Security Administration) of up to \$1,200 and married couples will receive \$2,400. Qualifying taxpayers with children will receive an additional \$500 per child. Qualifying single taxpayers must have income below \$75,000 and below \$150,000 for married couples.

Expanded Unemployment Benefits

Workers will receive an additional \$600 per week in addition to what state programs provide. Self-employed, independent

contractors, and gig economy workers are also eligible for these benefits.

10% Early Withdrawal Penalty Waived for Use of Retirement Funds

The CARES Act waives the 10% penalty for withdrawing and accessing retirement funds before age 59½ for distributions of up to \$100,000 for COVID-19 related purposes retroactive to January 1, 2020. While the withdraws will still be taxed, any tax will be spread over three years, or the taxpayer may return the early withdrawn money within the three-year period to avoid paying tax.

Loans from 401(k) Plans

Participants in 401(k) plans may now borrow \$100,000 from their plan. Before the CARES Act, \$50,000 was the limit a participant could borrow from their plan.

Suspension of Required Minimum Distributions (RMDs) from Retirement Accounts

The CARES Act suspends all RMDs that would normally be required for 2020. This suspension also applies to your initial RMD if you turned 70½ last year and didn't take that initial RMD last year. (The initial RMD is actually for calendar year 2019.) Before the CARES Act, the deadline for taking that initial RMD was April 1, 2020. Now, thanks to the CARES Act, you can put off all RMDs that you would have otherwise had to take this year.

Charitable Contributions

Nine out of ten taxpayers do not itemize their charitable deductions. For the taxpayers that do not itemize, the CARES Act provides a \$300 (\$600 for married couples) above-the-line deduction for charitable contributions.

CONCLUSION

These are some of the provisions of the CARES Act we wanted to highlight for you. There are many more beneficial provisions of the CARES Act of which you may be able to take advantage. There is a myriad of changes to corporate tax laws. Here are a few final recommendations:

- Make sure you check with your CPA to ensure you are taking advantage of all that CARES has to offer you.
- As agencies, departments, and government administrations struggle with the demand from businesses and individuals, in addition to the

challenges of implementing this law, there may be significant changes to applications and/or procedures for each program.

- Make sure you are using the latest version of any application before you apply for any of the programs mentioned above.
- If you think you may be eligible for any of the CARES Act programs, make sure you submit your application well before June 30.

As always, if you have any questions, please call us.

