You may be among a large group of Americans facing financial challenges these days given the economic consequences of the COVID-19 pandemic.

The CARES (Coronavirus Aid, Relief and Economic Security) Act, is far-reaching. It provides a variety of ways to help your financial position in a period where the economy is dealing with a wide range of unprecedented challenges.

Here are some of the highlights of the stimulus package that might have an impact on your bottom line.

“Recovery Rebates” of up to $1,200 per person
You may qualify to receive a one-time payment of $1,200 ($2,300 for married couples filing jointly) from the federal government. This is the amount that will be received by most who earned $75,000 or less as a single tax filer, or $150,000 or less for married couples that file a joint return. Families also receive $500 for each child under age 17.

Those with adjusted gross incomes (AGI) above the thresholds stated above will receive a lesser amount based on their income. Single filers with incomes above $99,000 or married couples with combined incomes of more than $198,000 will not qualify for the rebate. However, if your past income exceeded those thresholds but your 2020 income has been affected by the current downturn, you may qualify for a tax rebate when you file your 2020 tax return next year, or possibly sooner.

Social Security recipients who meet the income qualifications will receive the recovery rebate. Under terms of the stimulus package, most high school seniors and college students don’t qualify for recovery rebates.

Provisions for those with IRAs and workplace savings plan

More flexibility to take money from IRAs, 401(k) and 403(b) plans
Under the CARES Act, a qualified individual can withdraw up to $100,000 from any combination of IRAs and/or employer-sponsored plans in 2020. The financial need to claim these distributions must be justifiably related to the COVID-19 outbreak. If qualifying requirements are met, the 10 percent penalty that typically applies to such distributions for those not yet age 59 1/2 is waived in these circumstances.

You can qualify for a distribution under these rules if you have experienced adverse financial
consequences as a result of:

- You, spouse, dependent or household member* diagnosed with or quarantined for COVID-19 through a test approved by the Centers for Disease Control (CDC)
- You, spouse or household member being quarantined, furloughed, laid off or having work hours reduced because of COVID-19
- You, spouse or household member unable to work because you lack childcare resources due to COVID-19
- You, spouse or household member having a reduction in pay (or self-employment income), a job offer rescinded or the start date for a job delayed due to COVID-19
- Own a business that has closed or operated under reduced hours because of COVID-19
- Meet some other reason that is deemed permissible by the IRS

*A household member is someone who shares your principal residence.

One major benefit of this provision is that taxes on the amount you withdraw in 2020 can be spread out over three years. For example, if you take a $60,000 distribution this year, you will only pay taxes due on $20,000 of that distribution in 2020. The rest is spread out over 2021 and 2022. More important, the tax liability can be eliminated. Taxes will not apply on any funds you withdraw this year that are paid back to your retirement accounts within three years of when you first distributed those dollars. Even if you paid a portion of the taxes on your 2020 or subsequent returns, you can file amended returns to claim a tax refund on the portion of the distribution that was repaid.

Enhanced provisions for 401(k) loans

The maximum amount you can borrow from a 401(k) plan has been raised from $50,000 to $100,000. While in the past you were limited to borrowing no more than 50 percent of your vested value in the workplace plan, now you can borrow as much 100 percent of that value up to $100,000. In addition, any loan payments that were due between March 27 and December 31, 2020 are delayed. The maximum five-year repayment period is extended accordingly. Note that it is not possible to borrow from your IRA.

Please consider that when using retirement account assets to meet current expenses, it could potentially impact the level of financial security you achieve in retirement. However, if financial circumstances have become difficult, your retirement accounts are a source of cash flow to meet current needs. Given the elimination of the 10 percent penalty and the potential to ultimately avoid tax liability, it may be a good option, particularly if you intend to pay the money back into your retirement accounts within three years. Be sure to contact your employer to see what options are available in your workplace plan.

A waiver of Required Minimum Distributions (RMDs) for 2020

The CARES Act has waived RMDs for 2020, whether for account owners or beneficiaries who inherited a retirement account. The waiver eliminates the need to make a withdrawal from an account that may be temporarily depressed in value due to recent stock market declines. If you already took your RMD for 2020, you may have the ability to pay it back.

The 60-day rollover period for RMDs already taken in 2020 has been extended to August 31, 2020.
This means you can roll back unwanted RMDs taken on January 1, 2020 and after. This provision is available for account holders and inherited IRA beneficiaries. Additionally, the restriction for RMDs already taken from an inherited IRA has been eliminated. These RMDs are also not subject to the one per 12-month rollover limitation.

**Extension on federal tax filing and 2019 IRA contributions**
The IRS has extended the standard federal deadline to file your 2019 income tax return to July 15 (instead of April 15). Because of that, you also have until July 15 to make contributions to your IRA for 2019. The individual total contribution limit to IRAs for 2019 is $6,000 ($7,000 for those age 50 or older) or 100 percent of your taxable compensation for 2019, whichever is less. In terms of filing the taxes, please note that not all states have adopted the same extension deadline, so consult with a tax professional for your particular state.

**Expanded Unemployment Benefits**
If you have filed to collect unemployment benefits, the federal government will add $600 to your weekly benefit for up to four months. If your state requires that you wait one week before collecting unemployment benefits, the federal government will replace the state benefits you lost in that week. The CARES Act allows those who have exhausted their unemployment benefits to claim benefits for another 13 weeks.

One other notable aspect of the Act is that unemployment benefits are made available to many self-employed individuals. This group, which typically doesn't qualify for unemployment benefits, is considered eligible for up to 39 weeks of coverage.

**Help for Businesses**

**Paycheck Protection Program for Small Businesses**
The Paycheck Protection Program is a federal loan program that can help eligible small and medium-sized businesses impacted by the coronavirus. The loan is an SBA 7(a) loan and can assist with covering costs related to payroll (including healthcare), mortgage/debt interest, rent, utilities and more.

The SBA is no longer accepting new loan applications for PPP. Visit [U.S. Bank Paycheck Protection Program](https://www.usbank.com/koenig) for the most up-to-date information.

**Payroll Tax Deferral/Credit for Businesses**
Payroll taxes due from employers can be deferred throughout 2020. Fifty percent of that total must be paid by December 31, 2021 and the remainder by December 31, 2022. This payroll tax deferral also applies to self-employed individuals, who may defer 50 percent of the self-employment taxes due in 2020. Repayment of 50 percent must occur by the end of 2021 and the remainder by the end of 2022.

There is also an employee retention credit for businesses that are at least partially suspended due to government restriction. There is some complexity in determining if a business qualifies and what the
credit will be, so be sure to consult a tax professional.

**Relief for Student Loan Borrowers**
All student loan payments are deferred until September 30, 2020. The borrower is required to notify the loan provider of the intention to pause payments as provided under the CARES Act. Additional benefits exist for borrowers and grant recipients. Check with your loan provider or school for more information.

**Rules Related to Tax-Deductible Charitable Contributions**
The vast majority of tax filers choose a [standard deduction rather than the option of itemizing deductions](https://www.irs.gov). However, this means that for most people, charitable contributions are no longer deductible. In 2020, those choosing to file taxes using standard deductions will be able to claim a maximum deduction of $300 for qualifying charitable contributions. These “above the line” deductions must be made in cash. The tax savings is limited, but it’s a way to reduce your overall tax liability for 2020.

For those who do itemize deductions on their 2020 return, the CARES Act eliminates rules that limited your qualified charitable contributions to no more than 60 percent of your Adjusted Gross Income (AGI). In 2020, you can deduct charitable contributions equal to as much as 100 percent of AGI. Consult your tax advisor for details and specific rules about what constitutes qualified contributions.

Similarly, for corporations, the limits on qualified charitable contributions has been increased from 10 percent currently to 25 percent of modified taxable income for 2020.

Donations to donor advised funds, supporting organizations or certain private foundations do not qualify.

**Make smart choices for today and the long run**
It’s a good idea to talk to your financial professional and tax advisor to find out how the CARES Act may affect you. You’ll want to carefully assess your options before deciding if and how to take advantage of the opportunities available to meet your current financial needs. Choices you make should be consistent with the intent of keeping your long-term financial plan on track.
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