



SUMMARY OF THE CARES ACT

INDIVIDUALS

SECTION 2201 - TAX YEAR 2020 RECOVERY REBATES

An advanced credit will be allowed for U.S. Residents the lesser of the 2020 tax liability or \$1,200 (\$2,400 for joint returns). There will also be allowed a credit of \$500 per qualifying child.

A 5% reduction of the credit applies to taxpayers with an adjusted gross income (AGI) in excess of \$75,000 (\$150,000 for joint returns). Complete phaseout of the credit is at \$99,000 AGI for single taxpayers and \$198,000 AGI for joint filers.

SECTION 2202 – RETIREMENT FUND RULES

Taxpayers are able to take withdrawals from retirement accounts up to \$100,000 for coronavirus-related effects without a 10% early distribution penalty on or before December 31, 2020. After taking a distribution, a taxpayer is eligible to repay the distribution within 3 years of the distribution. If the distribution is repaid within 60 days, the distribution is treated as a rollover distribution. If the distribution is not repaid within 60 days, a taxpayer can elect to spread the income over 3 years.

A penalty free distribution is only allowed if a taxpayer, spouse, or dependent is diagnosed with the virus, or if there are adverse financial consequences from quarantine such as furloughed, laid off, unable to work due to child-care, or closing of a business due to the virus.

Retirement account loans have also increased to \$100,000 from \$50,000. Repayments can be delayed up to one year from the original repayment date.

SECTION 2203 – WAIVER OF REQUIRED MINIMUM DISTRIBUTION

For calendar year 2020, no required minimum distributions (RMD) are required.

SECTION 2204 – CHARITABLE CONTRIBUTION ALLOWANCE

Any taxpayer who cannot itemize deductions is allowed to claim charitable contributions as a deduction in computing adjusted gross income of up to \$300.

SECTION 2205 – LIMITATION ON CHARITABLE CONTRIBUTION

Individual taxpayers are allowed an unlimited amount of charitable contributions for 2020, limited to adjusted gross income. However, donations to a donor advised fund do not qualify for the deduction. Corporate taxpayer limitations have increased from 10% of taxable income to 25% of taxable income.

SECTION 2206 – EMPLOYER PAYMENTS OF STUDENT LOANS

Employers are allowed to pay an employee or lender for any principal or interest on a qualified education loan incurred for education of up to \$5,250 until January 1, 2021.

SECTION 3513 – FEDERAL STUDENT LOANS

Payments of loans shall be suspended through September 30, 2020, and interest shall not accrue during this time.



BUSINESSES

SECTION 2301 – EMPLOYEE RETENTION

Employers for which business is fully or partially suspended or see a 50% decrease in revenue are eligible for 50% of the wages each quarter for each employee as a credit against payroll taxes. This is limited to the first \$10,000 of wages per employee. *This incentive cannot be claimed if the loan forgiveness provisions are applied as part of the CARES Act.*

SECTION 2205 – LIMITATION ON CHARITABLE CONTRIBUTION

Corporate taxpayer limitations have increased from 10% of taxable income to 25%.

SECTION 2302 – DELAY OF EMPLOYER PAYROLL TAXES

Businesses are allowed to defer the employer match of Social Security payroll tax deposits through December 31, 2020. 50% of the deferred Social Security portions must be remitted by December 31, 2021, while the remaining amounts can be deferred until December 31, 2022.

SECTION 2303 – NET OPERATING LOSSES

Under the Tax Cuts and Jobs Act (“TCJA”), any federal losses generated for tax years beginning after December 31, 2017 are subject to an 80% limitation on taxable income. The CARES Act has now delayed this limitation until tax years beginning on January 1, 2021.

The TCJA also disallowed any federal carryback losses arising in tax years beginning after December 31, 2017. Now a carryback is available for up to the preceding 5 years for tax years beginning after December 31, 2017 and before January 1, 2021.

SECTION 2304 – LOSS LIMITATION FOR OTHER THAN CORPORATIONS

Business losses for individuals has been limited to \$250,000 (\$500,000 if married) starting with tax year 2018. This has now been postponed until tax year 2021.

SECTION 2305 – CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY FOR CORPORATIONS

The refundable portion of the minimum tax liability is now refundable in the first two taxable years beginning in 2018. An election can be made to receive the entire refundable credit in 2018. Previously this was 50% refundable over 5 years beginning in tax year 2018.

SECTION 2306 – BUSINESS INTEREST EXPENSE LIMITATION

For tax years beginning in 2019 and 2020, the interest limitation has been increased to 50% of adjusted taxable income from 30%. Also, taxpayers can elect to use the adjusted taxable income from tax year 2019 for tax year 2020.

SECTION 2307 – QUALIFIED IMPROVEMENT PROPERTY – TECHNICAL CORRECTION

This technical correction allows qualified improvement property to be recoverable over 15 years with bonus depreciation (currently 100%).



SECTION 7001 & 7003 – PAYROLL TAX CREDIT (as part of FAMILIES FIRST CORONAVIRUS RESPONSE ACT)

A business can offset 100% of the qualified sick pay up to \$511 per day per employee. There is a 10-day limit per employee for a total of \$5,110 per employee. A business can claim this amount to offset the employer match of Social Security tax on their payroll returns.

A credit is also available for 100% of the qualified family leave pay up to \$200 per day per employee. The limit for this credit is \$10,000, or 50 days. A business can claim this amount to offset the employer match of Social Security tax on their payroll returns.

We are focused on the immediate and long-term impact of the new act for your situation. Please call our office for guidance on all of the provisions that directly affect you.

If you have any questions, please contact any of the team members listed below.

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