

April 1, 2020

Dear Clients, Friends, and Family:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the Senate and House of Representatives and signed by President Donald Trump on March 27, 2020. This Act contains tax measures as a part of a \$2 trillion aid package, which is designed to help the economy while dealing with the Coronavirus (COVID-19) pandemic.

Over the past week in anticipation of this act, we have been participating in national webinars and conferring with our colleagues to gain as much information as possible to best serve your needs. We have briefly summarized below key points of the new laws. Be aware that the underlying specifics of each provision will require further discussion as to its applicability to you.

For Individuals

- Recovery Rebates
 - Payments will be made to individual taxpayers classified as “Recovery Rebates,” which are acting as advance refunds of a 2020 tax credit.
 - Individuals will receive a tax credit via check or direct deposit in the amount of \$1,200 (\$2,400 for joint filers), plus \$500 for each qualifying child under the age of 17.
 - This credit is phased out for taxpayers with adjusted gross income (AGI) above \$150,000 for joint filers, \$112,500 for heads of households, and \$75,000 for all other individuals.
 - The credit is **not available** to nonresident aliens, individuals that can be claimed as a dependent by another taxpayer, and estates and trusts.
 - Income levels will be based on 2019 or 2018 tax returns, depending on filing date of most recent return.
- Retirement Plans
 - Required Minimum Distributions are **suspended** for 2020.
 - Taxpayers can take up to \$100,000 in COVID-19 related distributions without being subject to the 10% early withdrawal penalty, with deferred income tax and repayment provisions.
- Charitable Deductions
 - Bill creates an adjustment to gross income line for charitable contributions, capped at \$300.
- Loss carrybacks
 - Individuals with losses (**including pass-through entities**) can carry back 2018, 2019, 2020 losses up to 5 years to expedite the release of income tax refunds
- Tax Return Due Dates:
 - Federal & State Income Tax Returns are now due on **July 15, 2020**. This includes tax payments associated with these returns as well as your first estimated tax payments.

For Businesses

- SBA Loans – **See Separate Letter**
- Employers are required to provide Emergency Sick Leave or Family & Medical Leave payments to employees who are unable to work due to certain COVID-19 related conditions
 - Dollar-for-dollar tax credits against employer payroll tax is available to offset these leave payments
- Employee Retention Credit
 - Tax credit for employers that close due to COVID-19, or have significantly reduced gross receipts, but continue to retain staff
- Employer Payroll Tax Deferral
 - Payments of 2020 Employer payroll taxes can be delayed for up to two years.
- Retirement Plan Contributions
 - Certain retirement plan contributions for 2019 tax year may be deposited as late as January 2021

We will strive to help you navigate through these difficult times and strategize for your available options. We recommend that you reach out to us to set up a time to speak about your specific needs.

Thank you,

Moscato Certified Public Accountants