



The CARES Act: Provisions that Affect Individuals and Families

The CARES Act was signed into law on March 27, 2020. The Act provides relief to individuals and families in the form of direct payments, relaxed restrictions on retirement accounts and new guidelines on cash donations to public charities.

“Recovery Rebates”

As has been widely publicized, the Act directs the Treasury Department to make one-time payments “as rapidly as possible” to individuals whose adjusted-gross-income (AGI) is below certain thresholds and who cannot be claimed as dependents on anyone else’s tax return.

- The baseline payment amounts are \$1,200 per individual and \$2,400 per married couple filing jointly, with an additional \$500 for each dependent child under age 17.
- The AGI thresholds are \$75,000 for individuals and \$150,000 for married couples filing jointly. Above those thresholds, the payments are reduced until they are completely phased out at \$99,000 of AGI for individuals and \$198,000 for couples, but \$10,000 is added to the upper limit of the phaseout for each qualifying child. For example, the payment to a person filing individually who has a dependent child under age 17 will still start to phase out at \$75,000 of AGI but, due to the child, the upper end of the phaseout will increase from \$99,000 to \$109,000. If there are two dependent children under 17, that upper limit would increase to \$119,000. The chart below illustrates this in more detail:

Dependent Children Under 17	Single		Married Filing Jointly	
	AGI	Payment Amount*	AGI	Payment Amount*
0	≤ \$75,000	\$1,200	≤ \$150,000	\$2,400
	\$75,001–\$99,000	\$0–\$1,200	\$150,001–\$198,000	\$0–\$2,400
	> \$99,000	\$0	> \$198,000	\$0
1	≤ \$75,000	\$1,700	≤ \$150,000	\$2,900
	\$75,001–\$109,000	\$0–\$1,700	\$150,001–\$208,000	\$0–\$2,900
	> \$109,000	\$0	> \$208,000	\$0
2	≤ \$75,000	\$2,200	≤ \$150,000	\$3,400
	\$75,001–\$119,000	\$0–\$2,200	\$150,001–\$218,000	\$0–\$3,400
	> \$119,000	\$0	> \$218,000	\$0
3	≤ \$75,000	\$2,700	≤ \$150,000	\$3,900
	\$75,001–\$129,000	\$0–\$2,700	\$150,001–\$228,000	\$0–\$3,900
	> \$129,000	\$0	> \$228,000	\$0
Etc.	*No amount is payable to anyone who can be claimed as a dependent on another person’s tax return.			



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- Eligibility is based on the taxpayer's 2019 income tax return; or if that return has not been filed when eligibility is determined, the taxpayer's 2018 income tax return; or if that return has also not been filed, the taxpayer's 2019 Social Security Benefit Statement.
- If the taxpayer's 2020 income tax return would result in a larger payment than the 2019 return, then the taxpayer will receive that additional payment. If the 2020 return shows that they should have received a smaller payment, there will not be a "claw-back" so the taxpayer will not have to give back any of the payment previously received.
- The Treasury Department is authorized to direct-deposit the payment into a bank account that the taxpayer has used to make an income tax payment or receive an income tax refund since and including 2018. The taxpayer will be sent notification of the payment by postal mail within 15 days and given a telephone number to call if the payment is not received.
- The payment is not taxable income to the recipient.

Retirement Accounts – No Required Distributions for 2020

In 2020, taxpayers are not required to take otherwise-required minimum distributions (RMDs) from certain retirement plans and accounts, including 401(k)s and IRAs. This provision is intended to provide relief to those who would otherwise have to "sell low" in order to generate cash.

Retirement Accounts – \$100,000 Penalty-Free "Coronavirus-Related" Early Withdrawals

- Usually there is a 10% penalty for "early withdrawals" which are withdrawals from retirement accounts made by owners who have not yet reached age 59½, but this penalty is waived for "coronavirus-related" early withdrawals made during 2020. These withdrawals can be up to \$100,000 from eligible retirement plans, including 401(k)s and IRAs.
- "Coronavirus-related" withdrawals are those made:
 - to an individual who is diagnosed with the novel coronavirus or the disease that it causes, COVID-19, by a CDC-approved test;
 - whose spouse or dependent is so diagnosed; or
 - who "experiences adverse financial consequences" as a result of: being quarantined, furloughed, or laid off, or working reduced hours, as a result of the virus or disease; being unable to work due to lack of child care as a result of the virus or disease; closing or reducing the hours of an owned-or-operated business as a result of the virus or disease; or other factors to be determined by the Treasury Department.
- The funds taken as an early withdrawal are still included in the recipient's taxable income, but they can be spread over 3 years. In addition, if the owner repays the withdrawal within 3 years, the withdrawal will not be subject to tax.





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Increase in Loans From Employer-Sponsored Retirement Plans:

Coronavirus-affected individuals also have until September 23, 2020 to borrow increased amounts (up to \$100,000) from certain employer-sponsored retirement plans, such as 401(k)s, when permitted by the plan. They can also defer loan repayments otherwise due in 2020 for up to one year.

\$300 Charitable Contribution Deduction for Non-Itemizers

In 2020, people who do not itemize deductions on their income tax return can deduct up to \$300 of cash contributions to public charities (other than supporting organizations and donor advised funds), to private operating foundations and to pass-through private foundations. This deduction is in addition to the standard deduction. Only cash contributions are eligible for the deduction.

Suspension of Deduction Limit for Cash Contributions to Certain Organizations

In 2020, cash contributions to public charities (other than supporting organizations and donor advised funds), to private operating foundations and to pass-through private foundations can be used to offset up to 100% of an individual's "contribution base" (typically adjusted-gross-income), instead of the usual [50–60%](#). Contributions of property other than cash remain subject to the usual limitations.

ADDITIONAL RESOURCES

- [UPDATED: Treasury Department Extends April 15 Tax Filing and Payment Deadlines](#)

Please visit our [COVID-19 resource page](#) for additional resources related to COVID-19.

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