

PROPOSED COVID-19 PANDEMIC RELIEF BILL CONTAINS TAX ASSISTANCE

MARCH 26, 2020

This week, Congress is expected to pass the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which is intended to boost a struggling economy and assist those suffering financially from the COVID-19 pandemic.

The bill includes the following relevant tax provisions for both individuals and businesses.

INDIVIDUALS

- Each individual will receive a rebate check of \$1,200, phased out as income exceeds \$75,000 per person, plus an additional \$500 per dependent child.
- Charitable contributions up to \$300 will be deductible “above the line” for individuals who do not itemize deductions. Cash contributions by individuals to charities (other than donor-advised funds and “supporting organizations”) may be deducted up to 100% of income, and corporations may deduct such contributions up to 25%.
- Minimum distributions from qualified plans and IRAs for 2020 will not be required.
- Persons who become ill, or lose their jobs due to quarantine, etc., may be able to:
 - withdraw up to \$100,000 from qualified plans and IRAs and repay it over an extended time without including the withdrawn amounts in income; and/or
 - take a loan from qualified plans, potentially up to the lesser of \$100,000 or 100% of their vested balances.

BUSINESSES

- For 2019 and 2020 taxable years, the limit on deduction of interest that was enacted in 2017 is now based on 50% of adjusted taxable income, rather than 30%.
- The employer’s share of FICA taxes (i.e., the 6.2% part) and half of an individual’s self-employment taxes for the period between enactment and the remainder of 2020 may be paid without penalty, half by the end of 2021 and the remainder by the end of 2022.
- Use of net operating losses will be easier because carry-backs of 2018, 2019, and 2020 losses may be carried back five years and percentage limitations based on taxable income will be suspended.
- Remaining corporate credits for AMT may be accelerated.

ADDITIONAL INFORMATION

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