



## **The Coronavirus Aid, Relief and Economic Security Act (CARES Act)**

On March 27<sup>th</sup>, 2020 President Trump signed the \$2 trillion-dollar CARES Act (H.R. 748) into law; providing relief to fight the nationwide financial impact due to the coronavirus. Below is a summary of the Act's provisions that could directly affect our individual and business owner clients.

### **Individual Benefits:**

#### **Stimulus Payments:**

Provides direct payments to individuals of \$1,200 with adjusted income of \$75,000 or less, \$2,400 for couples with adjusted gross income of \$150,000 or less and head of household with adjusted gross income of \$112,500 or less. Also, eligible families will receive \$500 per child 17 and younger.

There are phase out thresholds for individuals, couples and head of household. Individuals will reach this threshold with adjusted gross income of \$99,000, couples with \$198,000 of adjusted gross income and head of household with \$136,000 of adjusted gross income. The payment will be reduced by \$5 for every dollar above the income thresholds.

The IRS will use 2018 or 2019 tax returns to determine adjusted gross income. Retirees receiving Social Security and not filing a tax return are eligible along with folks receiving the Earned Income Tax Credit.

Payments are expected to be processed by mid-April and paid, via electronic deposit, to bank accounts receiving IRS refund checks. Additionally, folks will receive notice by mail confirming method of payment, the amount of payment along with a phone number to call if payments were not received.

Additionally, some payments will be issued via check. The IRS recognizes some recipients may need to create or modify their bank account information in order to receive a timely payment. They are in process of creating a web-portal for these recipients to create, add or modify their information.

#### **Unemployment Benefits:**

Workers will receive up to 39 weeks of unemployment if job loss was due to the coronavirus. Eligibility has been expanded to include independent contractors, furloughed employees and gig workers. The Act also adds an additional \$600 per week of benefits through July 2020.

#### **Tax Filing Extension:**

Deadline to file 2019 tax return is now July 15<sup>th</sup>, 2020. This applies for tax payments owed for 2019 and estimated tax payments for 2020. There will be no late fees and the extension will be automatically filed—no paperwork required.

#### **Penalty Free Withdrawals:**

Anyone diagnosed with coronavirus or financially impacted by the virus can withdraw up to \$100,000 from their IRA or 401(K) penalty free. This distribution will be considered taxable income divided over three years. Additionally, you can repay this withdrawal within the three-year time period.

### **Required Minimum Distributions (RMDs):**

RMDs have been waived for:

- 2019 RMDs due by April 1<sup>st</sup>, 2020.
- 2020 RMDs for company plans and IRAs.
- 2020 RMDs for company plans, IRA and Roth IRA beneficiaries.

### **Payment Relief for Mortgage Payments:**

If your job loss was due to the virus and your mortgage is a federally backed loan, you may request forbearance of your payment for up to 180 days. You will have to attest to your financial condition and work with your loan servicer to postpone payments. Borrowers will not incur fees, penalties or interest on missed mortgage payments.

### **Student Loan Help:**

Federal student loan payments will be suspended until September 30<sup>th</sup>, 2020. During this period interest is being waived and will not accrue. If payments are made, they will be applied directly to principal.

Additionally, work study grants will still be paid (potentially lower amount) if college campuses are closed and work duties are unable to be performed. Unused work study funds could be turned into grants and if student withdraws from school due to the virus, federal grants will not have to be paid back.

### **Health Insurance:**

Requires private health insurance providers to cover health care costs associated with the virus. Includes, all costs with testing, inpatient treatment and future vaccines.

### **Charitable Contributions:**

Can claim up to \$300 in cash deduction to churches or charitable organizations without needing to use itemized deductions.

The 50% adjusted gross income ceiling has been suspended for individuals and the limitation for corporations has been raised to 25% from 10%.

### **Business Benefits:**

#### **Paycheck Protection Loan (PPL):**

Small businesses, with fewer than 500 employees, sole proprietors, independent contractors and self-employed individuals can apply to an SBA 7(a) lender for 2.5 times their average monthly payroll cost, plus an additional 25%, up to \$10 million. The loan is to help businesses maintain their full-time employees for up to eight weeks.

Loans are used to cover business expenses, including payroll costs (maximum salary \$100,000), rent, mortgage interest, utilities, debt refinancing and employee benefits. Most importantly, the loan will be forgiven, if used directly for payroll costs, mortgage interest, rent and utilities--following the issuance of the loan for up to eight weeks for each item.

#### **Economic Injury Disaster Loans (EIDL):**

Small businesses, with fewer than 500 employees, nonprofits, sole proprietors and independent contractors in business on January 31<sup>st</sup>, 2020 can potentially borrow up to \$2 million. Interest rates are favorable with terms up to 30 years. Payments can be deferred for up to one year from the date of the loan.

To be eligible, the applicant must be credit worthy, have ability to repay the loan, located in a declared disaster area and suffered working capital losses due to the declared disaster and not due to an economic downturn or

other reasons. Furthermore, personal guaranty has been waived and applicants will not have to show funds could be obtained from additional sources.

For additional information on both the PPL and EIDL programs, please look directly to the SBA web site [SBA.gov](http://SBA.gov) or contact your SBA lender.

**Employee Retention Tax Credit:**

Employers can receive credit up to 50% of qualified wages, including health plan costs, paid to employees. The maximum credit is \$5,000 per employee for all calendar quarters---wage limit is \$10,000 per employee.

To be eligible, an employer must continue business during the 2020 tax year and:

- Suspend (fully or partially) operations during any calendar quarter in 2020 due to orders from government authorities limiting travel, group meetings and business trade due to the virus.
- Experience a decline of gross receipts—50% decline in any calendar quarter 2020 versus 2019 same calendar quarter.

**Social Security Payroll Tax:**

Businesses and self-employed individuals can defer their Social Security payroll tax payments. Deferral will last two years and must be paid by the end of the two-year period. 50% of the tax payment will be due by the end of 2021 and the remaining 50% due by the end of 2022.

Additionally, corporate AMT tax credits due for 2021 can be claimed as a refund and costs of improving facilities can be written off. Lastly, business interest expense deductions are increased to 50% of taxable income from 30% for 2019 and 2020 tax years.

The CARES Act is broad and comprehensive. If you have additional questions or thoughts on specific provisions and how they might apply to your personal financial scenario, please do hesitate to give us a call.

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**DIVIDEND ASSETS CAPITAL, LLC**

INVESTMENT ADVISORS

58 RIVERWALK BOULEVARD  
RIDGELAND, SC 29936-8126

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