

Highlights of the CARES Act

The CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law to help provide financial stability and relief for individuals and businesses affected by COVID-19. While the bill is very broad and addresses a number of areas and industries, we believe the following are important to highlight for individuals and their families.

Cash Payments and Unemployment Assistance

- **2020 Stimulus Check:** U.S. residents with adjusted gross income up to \$75,000 (\$150,000 joint filers) are eligible for a \$1,200 (\$2,400) payment, as well as an additional \$500 per child (under age 17).
 - There are no minimum income requirements for the payment. Individuals with little or no income are generally eligible provided they are not a dependent of another taxpayer and have a work-eligible Social Security number.
 - This amount is reduced by \$5 for every \$100 over the income limit above, so it would be fully phased out for those with incomes over \$99,000 (single) and \$198,000 (joint filers) with no children.
- **Increased Unemployment Assistance:** Provides an additional \$600/week payment to each recipient of unemployment insurance through July 31, 2020.
 - Provides an additional 13 weeks of unemployment benefits through Dec. 31, 2020, for those who remain unemployed after state unemployment benefits are no longer available.

Retirement Account Changes

A qualifying individual is anyone who is diagnosed, or whose spouse or dependent is diagnosed with COVID-19. A qualified individual also includes an individual who has adverse financial consequences as a result of the individual or the individual's spouse or a member of their household (defined as someone who shares the individual's principal residence) being quarantined, furloughed or laid off, having reduced work hours or pay, a job rescinded or start date delayed, child care responsibilities or business closures due to COVID-19.

- **Elimination of Early Withdrawal Penalty:** Waives the 10% early withdrawal penalty for withdrawals up to \$100,000 from qualified retirement accounts, including IRAs and 401(k) plans, for retirement plan participants who qualify for COVID-19 relief. Income tax on the distributions of pre-tax assets would still be owed but could be paid over a three-year period. Individuals could "recontribute" the funds to a retirement account within three years without regard to contribution limits.
- **Increase in the Retirement Plan Loan Amount:** Increases the amount that can be taken as a loan from a qualified retirement plan to the lesser of \$100,000 or 100% of the plan participant's vested balance.
- **2020 RMDs Waived for Retirement Accounts:** With the exception of defined benefit plans, required minimum distributions (RMDs) are waived for all employer plans and IRAs in 2020, including inherited accounts. This provision also applies to RMDs due in 2020, but attributable to 2019. Individuals do not need to meet COVID-19 qualifying criteria to waive RMDs for 2020.
- **Items for Consideration:**
 - In general, we recommend exhausting some of the other provisions associated with the CARES Act first, such as mortgage and student loan relief, or using the stimulus check to bridge the gap on current expenses before taking a distribution or loan from your retirement accounts.
 - For any withdrawal or loan, we recommend working with your financial advisor to consider developing strategies to recontribute/pay back these funds over time to reduce any long-term impact to your retirement goals.

Enhanced Tax Benefits for Charitable Gifts

- **\$300 Deduction of Cash Contributions:** Ability for an above-the-line deduction of up to \$300 of cash contributions to charities, regardless of whether the individual itemizes deductions.
- **Changes to Limits on Charitable Contributions:**
 - **Individuals:** For those who itemize their deductions for charitable giving, the 60% of adjusted gross income limit for cash gifts is suspended for 2020.
 - **Corporations:** The 10% limit on charitable contributions is increased to 25% of taxable income.

Mortgages

- **Mortgage Relief for Homeowners:** Requires the servicers of federally backed mortgages to postpone mortgage payments at the request of the borrower, provided the borrower affirms financial hardship due to COVID-19. The postponement must be granted for up to 180 days and extended for an additional period of up to 180 days at the request of the borrower.
- **Foreclosure Moratorium:** Prevents the servicer of a federally backed mortgage loan from initiating any foreclosure process through Aug. 31, 2020.
- **Eviction Relief for Renters:** Through July 25, 2020, landlords with mortgages backed by the U.S. Department of Housing and Urban Development (HUD), Fannie Mae, Freddie Mac, and other federal entities cannot pursue eviction for their tenants. Landlords also can't charge any fees or penalties related to nonpayment of rent.

Student Loans/Education

- **Loan Payment Suspension:** Suspends payments automatically for federally held student loans through Sept. 30, 2020, with no interest accruing or penalties during the period of suspension.

- **Additional Provisions:** Contains a variety of other emergency-relief provisions related to education, and specifically the impact of many students being sent home mid-semester. For example, it allows universities to make payments to students who were unable to complete work-study programs.

Small-business Owners

- **Small-business Loans:** Many small businesses are now eligible for disaster relief loans from the Small Business Administration. Additionally, the CARES Act provides conditions for when loan payments may be deferred and loan amounts forgiven.
- **Other Provisions:** There are additional tax and accounting provisions such as:
 - An employee retention tax credit for employers subject to full or partial suspension of business due to COVID-19
 - The ability to delay payment of employer payroll taxes
 - Modifications for rules around net operating losses
 - Modifications for rules around corporate AMT (alternative minimum tax) credits
 - A temporary increase in the limitation on interest deductions imposed by the Tax Cuts and Jobs Act

Partner with Your Tax Professional

As with any decision involving taxes, consult with your tax professional on considerations and impacts to your specific situation. Your financial advisor can partner with them to provide additional financial information that can help in the decision making process.

Work with your Edward Jones financial advisor to consider key aspects of the CARES Act as part of your financial strategy.

Edward Jones, its employees and financial advisors cannot provide tax or legal advice. You should consult your attorney or qualified tax advisor regarding your situation.

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