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PERSONAL TAX BREAKS AND INCENTIVES:

THE CARES ACT

Recovery Rebates for Individuals

1. The Treasury Department will be mailing, or direct depositing, U.S. taxpayers a check for \$1,200 per person (\$2,400 for married filing joint returns) and \$500 per qualifying child. Those individuals who are dependents will **not** receive separate rebates.
2. The amount of the rebate depends on your adjusted gross income reported on your 2019 tax return (2018 returns if 2019 has not been filed):
 - a. For single filers, the credit begins to phase out when your AGI reaches \$75,000. The phase out percentage is 5%. So, for every dollar above \$75,000, you would lose 5 cents of credit. You can estimate the amount by reducing your credit by \$50 for every \$1,000 your AGI is above \$75,000.
 - b. For Head of Household Filers, the credit begins to phase out at \$112,500; and
 - c. For Married Filing Joint Filers, the credit begins to phase out at \$150,000.
3. This credit will be recomputed on your 2020 tax return. In the event that your AGI dropped below the phase-in range, you will get the credit on your 2020 tax return.
4. There is not currently a mechanism that would require you to repay the credit if your 2020 AGI is higher than 2018 or 2019.

Retirement Fund Rules

1. You are allowed to withdraw up to \$100,000 from a qualified retirement plan for a Coronavirus-related distribution in 2020 without amending your plan document.
2. A Coronavirus-related distribution occurs when you, a family member, or a dependent are diagnosed with the virus or you have lost income as a result of the virus.
3. The CARES Act waives the 10% early withdrawal penalty for withdrawals up to \$100,000 from qualified retirement accounts for retirement plan participants who qualify for COVID-19 relief. Income tax on the distribution would still be owed but could be paid over a three-year period. Individuals could "recontribute" the funds to the plan within three years without regard to contribution limits.
4. The CARES Act increases the amount that can be taken as a loan from a qualified retirement plan from \$50,000 to \$100,000 for 2020.
5. Deductible contributions to traditional IRAs are no longer subject to an age 70 ½ limitation. Contributions may continue as long as the individual (or their spouse) receives compensation.
6. For individuals who turn 70 ½ after December 31, 2019 (born on or after July 1, 1949), the age for taking required minimum distributions (RMDs) from traditional IRAs is increased from age 70 ½ to age 72.
7. The SECURE Act limits the ability to "stretch" payouts after the death of the account owner, for both traditional and ROTH IRAs. Rather than payment over the life expectancy of the beneficiary, distribution is required by the end of the year of the 10th anniversary of

the death of the account owner. Payment over the life expectancy of the account owner's spouse, the account owner's minor child, a disabled or chronically ill individual or a beneficiary not more than 10 years younger than the account owner may still be determined based on the beneficiary's life expectancy, but distributions to a successor beneficiary will be subject to the 10 year rule.

8. The penalty for early withdrawal from retirement accounts has been temporarily lifted for withdrawals up to \$100,000 for any taxable year. Anyone with a coronavirus diagnosis, whose spouse or dependent is diagnosed, or who is quarantined, furloughed, laid off or has reduced hours or is unable to work due to lack of childcare qualifies for the distribution. Amounts distributed may be repaid at any time during the three years following the distribution. The tax on any taxable amount of a distribution may be spread over three years. Outstanding loan repayments due before the end of 2020 are delayed for one year.
9. The Treasury Department has also postponed the deadline for making IRA contributions until the date taxpayers file their 2019 tax return during the extended filing period.

Self-Employment Provisions for Individuals

1. You are allowed to defer 25% of your self-employment tax liability to December 31st, 2021, and another 25% to December 31st, 2022. This will reduce any estimated taxes you are required to pay in 2020.
2. You are allowed to apply for a Paycheck Protection Loan to cover part of your income. You will want to have 1099s, payroll tax forms, and income statements available to prove your self-employment compensation.
3. The Business Loss Limitation rules that limited business losses to \$500,000 have been suspended, allowing you to take the full amount of any business loss on your tax return.

Income Tax Provisions for Individuals

1. Individuals can now take a \$300 deduction for qualifying charitable contributions against AGI for 2020. You will get this deduction regardless of whether you itemize or take the standard deduction.
2. For those who itemize their deductions for charitable giving, the 50% of adjusted gross income limit is suspended for 2020.
3. An employer can now pay for up to \$5,250 of your student debt obligations tax free. Any amounts paid would decrease other tax-free education benefits you receive from your employer.
4. The limitation on charitable contributions (previously 60% of AGI for donations to public charities) has been suspended for 2020 and you are allowed to deduct contributions up to 100% of your AGI.