



The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. This is the largest economic relief bill in US History and allocates \$2.2 trillion to support individuals and businesses. We want to highlight some items individuals and small businesses may find valuable.

For **Individuals**, the bill includes components directly affecting retirement accounts, including Required Minimum Distributions (RMDs) and retirement withdrawals, as well as direct payments to individuals.

### **1.) Required Minimum Distributions (RMD)**

- RMDs have been waived for 2020 from eligible retirement accounts.
- The following retirement account types are eligible: 401(k), 403(b), governmental 457(b), IRA's – including Inherited IRAs established prior to 2020.
  
- For those individuals who do not need their RMD for living expenses, you may want to skip your 2020 RMD, in most cases.
  - Benefits of skipping 2020 RMD:
    - You may avoid sales of securities at depressed prices to fulfill your RMD and tax implications associated with withdrawals. Funds are also able to stay in a tax advantaged retirement account for an additional year.
  - For those individuals who do need cash for living expenses:
    - We recommend withdrawing cash from a taxable account when possible.
    - Sales of securities at a loss may help offset gains in future years to minimize tax implications.
  - 60-day Rollover:
    - If you have already taken your RMD for 2020 and do not need these funds for living expenses, these funds may roll back using a 60-day rollover.
      - This does not apply to Inherited IRAs, where the beneficiary is someone other than the surviving spouse.

### **2.) Retirement Plan Withdrawals**

- 10% early withdrawal penalty waived
  - If you are under 59 ½ and need to withdrawal funds from a retirement account, the 10% early withdrawal penalty has been waived for distributions up to \$100,000.
    - However, withdrawals are subject to income tax, which you have the options to spread over three years.
    - Alternatively, these funds can be re-contributed to the retirement account within three years without regard to contribution limits.

### **3.) Income Tax and IRA Contribution Deadlines**

- The IRS has extended the federal tax deadline from April 15 to July 15.
- 2019 federal tax due and Q1 2020 estimates are also pushed to July 15.
  - Check with your CPA about state specific deadlines.
- The deadline for 2019 IRA contributions has been extended from April 15 to July 15.

### **4.) Rebate Checks**

- As part of the CARES act, the federal government has allocated \$301 Billion in the form of rebate checks to qualifying individuals.
  - Individuals receive up to \$1,200 if income is less than \$75,000 for 2019.
  - Head of household will receive \$1,200 if income is less than \$112,500, plus \$500 for qualifying children.
  - Married couples will be receiving up to \$2,400 if a joint tax return was filed in 2019 and income less than \$150,000.
  - The payment amounts above will be decreased by \$5 for every \$100 earned above those income thresholds.

Many **small businesses** have struggled to maintain normal business functions during this time. Business owners are balancing how to meet short term cash flows, potentially needing to cut costs, furlough or lay-off employees (jobless claims spiked to 6.6 million at the end of March). To help, the government has provided incentives for small businesses to retain employees and maintain operations through Small Business Administration (SBA) loans. Congress is providing this relief for qualifying Small Businesses to help kick-start the economy by allocating \$349 billion to forgivable loans, \$10 billion to emergency advancements and \$17 billion to relief for existing loans. Four main loan options are available for Small Businesses.

#### **1.) Paycheck Protection Program (PPP) Loans: \$349 Billion Allocated**

This option provides 2-year loans up to \$10 million per business and low 1% interest. It seeks to help small businesses (generally defined as less than 500 employees) maintain their workforce by providing cash-flow assistance through federally guaranteed loans. These loans would be forgiven if the funds are used appropriately and employers maintain their payroll and many benefits during the Covid-19 Pandemic. Applications began for Small businesses and sole proprietorships on April 3<sup>rd</sup>, 2020 while applications start for independent contractors and self-employed individuals on April 10<sup>th</sup>, 2020.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

To find eligible lenders: <https://www.sba.gov/paycheckprotection/find>

#### **2.) Economic Injury Disaster Loan Emergency Advance (EIDL): \$10 Billion Allocated**

This option provides loan terms of up to 30-years with amounts up to \$2 million. Interest rates can be as high as 3.75% for businesses and 2.75% for nonprofits. Included in the EIDL are emergency loan advances of \$10,000 which can become grants if used to help with payroll and other COVID-19 related costs.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

#### **3.) SBA Express Bridge Loans**

While small businesses wait for long term financing, they can apply for an SBA bridge loan of up to \$25,000. This loan carries a higher interest rate with a maximum of Prime + 6.5% and a term of up to 7 years. To qualify, the business needs to have an existing relationship with an SBA express lender.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>

#### **4.) SBA Debt Relief: \$17 Billion Allocated**

For the next six months, the SBA will automatically pay principal, interest and fees on all current 7(a), 504 and microloans. This is in efforts to help small businesses by providing financial reprieve during the Coronavirus outbreak.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

Other support for small businesses include the **Employee Retention Credit** which may allow eligible employers to receive a payroll tax credits equal to or the lesser of 50% of qualified wages or \$5000 per employee during 3/12/2020 -1/1/2021. Also, the **Families First Coronavirus Relief Act (FFCRA)** allows small and medium businesses to receive tax credits for paying up to 80 hours of sick leave per employee.

Employee Retention Credit - <https://www.irs.gov/newsroom/irs-employee-retention-credit-available-for-many-businesses-financially-impacted-by-covid-19>

Families First Coronavirus Relief Act - [https://www.dol.gov/sites/dolgov/files/WHD/Pandemic/FFCRA-Employee\\_Paid\\_Leave\\_Requirements.pdf](https://www.dol.gov/sites/dolgov/files/WHD/Pandemic/FFCRA-Employee_Paid_Leave_Requirements.pdf)

To learn more about the CARES Act - <https://www.fidelity.com/learning-center/personal-finance/coronavirus-stimulus-package>

\*\* The information provided should not be interpreted as a recommendation, no aspects of your individual financial situation were considered. Always consult a financial professional before implementing any strategies derived from the information above.