



# FLICKINGER & CO., LLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### Individual Tax Provisions in Coronavirus Relief Package

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#### Individual Recovery Rebate/Credit

*What is it?* The individual recovery rebate is a stimulus that will be treated as a refundable credit on your 2020 tax return that you can qualify to receive now.

All 2020 tax returns will calculate the amount that you qualify for based on your 2020 income. If you have already received the amount that calculates, you will receive nothing additional. If you are to receive more than calculates, you will get a credit on your 2020 tax return. If you received more than the amount that calculates, nothing happens. You will not be requested to pay anything back and nothing will be deducted from your 2020 refund.

- Website for additional information: <https://www.irs.gov/coronavirus>
- Each individual not claimed as a dependent on a tax return will receive up to \$1,200
  - Will occur automatically for those who filed a 2018 or 2019 tax return. If you are delinquent in filing your 2018 tax return, it is recommended that you file immediately.
    - Direct deposited into bank account used for tax refund
    - Mailed to those with no bank account on record to last known address
    - Will receive a mailed letter from the IRS to last known address identifying how the payment was made, the amount of payment, and a phone number for reporting any failure of receipt of payment
  - Individuals who receive non-taxable Social Security income or Railroad retirement only **will** receive stimulus. This Includes all individuals who receive a form 1099-SSA or the RRB-1099-R tax statement yearly.
  - If you were not required to file a tax return in 2018 or 2019 and did not receive Social Security or Railroad retirement benefits, you may apply for the stimulus check on the IRS website at <https://www.irs.gov/coronavirus/non-filers-enter-payment-info-here>
  - Includes green card holders and those with a H-1B or H-2A work visa
  - Includes those living in US Territories
  - Excludes nonresident aliens
  - Excludes estates and trusts
  - Will not be counted as taxable income and will not reduce your 2020 refund by the amount you received
  - Will not be withheld to pay past due tax liabilities
  - MAY be reduced for past due child support payments that have been reported to the Treasury Department
  - The amount received is subject to income eligibility
    - 2019 Adjusted gross income will be used first. If not filed yet, adjusted gross from 2018 tax return will be used.
    - Maximum credit given if adjusted gross income is equal to or less than thresholds:
      - Single filers/qualified widows/married filing separate: \$75,000
      - Head of household filers: \$112,500

- Married filing joint filers: \$150,000
  - The credit is phased out above thresholds up to the following income caps:
    - Single filers with 0 children: \$99,000
    - Head of household filers with one child: \$146,500
    - Married filing joint filers with 0 children: \$198,000
    - Other caps apply at varying rates for remaining filers
  - If phaseout exists for the credit under 2018 or 2019 filed tax return but the 2020 adjusted gross is below the phaseout limitations, an additional credit will be issued
    - This will not apply in reverse: Income above phaseout in 2020 will not require pay-back of the credit
- An additional \$500 will be included for each child under 17
    - If claimed on a tax return, no additional proof required
    - If the dependent on 2019 tax return is not claimed as a dependent on 2020 tax return, they may become eligible to receive the credit when filing their 2020 tax return
    - Excludes all those dependents 17 and over (ie: college students)
  - What should you do if you receive the stimulus check for someone who passed away prior to the stimulus amount being deposited or mailed?
    - According to the IRS website frequently asked questions (link here: <https://www.irs.gov/coronavirus/economic-impact-payment-information-center#more> Question #6 & #41), a check to a deceased person should be marked void and returned to the IRS. If the payment was to a direct deposit account, or only half needs to be returned because one person is still alive, a personal check should be written in the amount and mailed to the IRS. All returns should include a letter of explanation with the taxpayer SSN on the check.

## Retirement Plan Distributions

- Up to \$100,000 in distribution is allowed from eligible retirement plans and individual retirement accounts
  - The 10% Early distribution Penalties will not apply for those who haven't attained the age requirements
  - Must be distributed for a coronavirus-related reason to a qualified individual
  - Distribution must occur between January 1, 2020 and December 31, 2020
  - Qualified individuals are those who meet any of the following criteria:
    - Diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control and Prevention (CDC)
    - Spouse or dependent is diagnosed with SARS-CoV-2 or COVID-19 by an approved test
    - Experiences adverse financial consequences as a result of being:
      - Quarantined
      - Furloughed or laid off or having work hours reduced due to Coronavirus
      - Unable to work due to lack of child care due to Coronavirus
      - Closing or reducing hours of a business self-owned or self-operated due to Coronavirus
  - Distribution will still be considered taxable under federal and applicable state laws
    - Can be allocated ratably for federal purposes over the next 3 tax years unless elected to take taxability in one year (state laws are defined individually and not addressed here)
  - Distributions made in the circumstances above can be contributed back to retirement plan
    - Can be repaid at any time during a 3-year period beginning on the day after the date distribution received
    - May not exceed the amount of the distribution
- Requirement Minimum Distributions for those attaining age 70 ½ before January 1, 2020 or attaining age 72 on or after January 1, 2020 are not required for 2020
  - Includes beneficiaries currently receiving death benefits
  - Distributions are still permitted, just not required
  - Qualified Charitable Distributions are still permitted and will be tax-free distributions

## Tax Implications of Charitable Contributions

- Up to \$300 in charitable contributions can be used to reduce gross income, dollar for dollar.
  - Only applies if using the standard deduction
  - If itemizing, will be included as a charitable contribution on the Schedule A
- The Adjusted Gross Income limitations for qualified charitable contributions made in 2020 for purposes of itemizing has increased from 50% or 60% (depending on charity) to 100%. Gifts in excess of 100% of AGI will carryforward for 5 years.
  - Prior carryforward amounts will not be permitted to apply in 2020.

## Repayment of Federal Student Loans

- No payments are required on federal student loans owned by the US Department of Education between March 13, 2020 and September 30, 2020. See the website <https://studentaid.gov/manage-loans/repayment/servicers#your-servicer> to determine if your loan qualifies based on your loan servicer.
  - Direct Loans, including Parent PLUS loans
  - Some Federal Perkins Loans
  - Some Federal Family Education Loans
- The interest on these federal loans will automatically drop to 0% between March 13, 2020 and September 30, 2020.
- No action is required. This will occur automatically for all applicable borrowers.
- If you continue to make payments, they will be counted toward the principal of your loan, reducing your overall interest payments and ultimately paying down the loan faster.
- Private student loans and federal loans not owned by the US Department of Education are not covered under the CARES Act.

## Changing your 2019 Overpayment from Carryover to Refund

If your 2019 tax return was already filed and resulted in an overpayment that you elected to carryover to 2020, you may file a superseding tax return to elect for refund.

- Due date for the superseding tax return is July 15, 2020
- Must be filed by paper
- Recommended to receive the refund by direct deposit for quicker payment
- Paper returns are processed in the order they are received, and may take several weeks to months