



Robert R. Roback, Sr. CPA, CFS, CFA In Memory of (1956-2011)
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Dear Clients:

March 29, 2020

Hopefully all family and friends are healthy. This is obviously a very trying time for everybody.

We are keeping tabs on the evolving situation and how it applies to your tax and financial well-being. Below are some highlights that will apply to most individual taxpayers.

STIMULUS PAYMENTS

We have had a lot of questions related to the details of the “stimulus payments” and who qualifies. Here is a brief summary:

Eligible individuals are allowed a credit of \$1,200 (\$2,400 for joint filers), plus \$500 for each qualifying child, for the first taxable year beginning in 2020. An eligible individual is any individual who has a Social Security number and who is not a nonresident alien, an individual who can be claimed as a dependent on another taxpayer's return, or an estate or trust. The allowable credit is reduced by 5% of the eligible individual's **adjusted gross income** in excess of \$75,000 (all filers other than joint and head of household), \$112,500 (head of household), or \$150,000 (joint filers). The credit phases out entirely at \$99,000 (\$198,000 for joint filers).

Some common questions and answers are below.

1. How much money should you expect to get?

If you earn less than \$75,000, or you and your spouse collectively earn less than \$150,000, you'll receive \$1,200 for each of you plus \$500 for each child under 17. Those amounts are reduced for people with adjusted gross incomes (over \$75,000 or \$150,000 if filed jointly), phasing out to zero for individuals with \$99,000 in earnings (or \$198,000 for a couple), even if you have children. You must have a Social Security number to be eligible for a payment, which will not be taxed. Seniors whose only income is from Social Security and veterans who rely solely on disability payments will receive the payments.

2. How will the IRS calculate your income?

If you've filed a tax return for 2019, the IRS will use the adjusted gross income, marital status and dependents from this return. (The usual deadline for filing tax returns, April 15, has been changed to July 15 for this year in another response to the pandemic). For those who have yet to submit a 2019 tax return, the IRS will use data from your 2018 filings. If neither return is filed the rebate will be based on your 2019 calendar year Form SSA-1099 or Form RRB-1099. If you do not earn enough to be required to file a tax return you can submit one to the IRS now to make sure the agency has accurate information.

3. How quickly will you I get the money, and how?

Treasury Secretary Steven Mnuchin has said he anticipates payments to go out within three weeks. Senate Minority Leader Chuck Schumer said President Donald Trump hopes the Internal Revenue Service can start sending the money much sooner than that. Congresswoman Elise Stefanik was quoted in the Times Union stating that the money will be electronically deposited into your accounts before April 6, 2020. The IRS has not weighed in on timing, but former agency officials have stated that those timeframes are overly optimistic; pointing to previous stimulus check payments that took about two months to reach taxpayers. As for the method, you will receive the rebate by direct deposit to the account used on your tax return. If you did not use direct deposit on your tax return, you will receive the rebate by check to your last known address.

4. What happens if my money doesn't show up?

If a payment doesn't hit your bank account or mailbox, or you get less than you think you're entitled to, you can make claim for what you think you're owed on the tax return you file in 2021 for 2020. You also could try calling the IRS to resolve the difference of non-receipt. If you do attempt to call, be prepared to wait. When the IRS sent stimulus checks in 2008, calls to the agency more than doubled, and many taxpayers weren't able to get their questions answered, according to a report issued by the Government Accountability Office.

FILING AND PAYMENT DEADLINES

The IRS announced in Notice 2020-18 (which supersedes Notice 2020-17) the extension of the April 15 tax filing *and* tax payment deadline by 90 days until July 15 for all taxpayers, without limitation on how much is owed. 2020 estimated payments due April 15 are also deferred until July 15. The filing and payment extensions are automatic, i.e., no extensions need to be filed to qualify for the extensions. New York State is following these same guidelines.

DUE DATES FOR CONTRIBUTIONS TO RETIRMENT PLAN AND HEALTH SAVINGS ACCOUNTS

The deadline for making contributions to an IRA, or for an employer to make contributions to its workplace-based retirement plan on account for 2019, is extended to July 15, 2020. In addition, participants may make contributions to an HSA or Archer MSA for 2019 at any time up to July 15, 2020.

We will keep monitoring the situation and will periodically send out updates and key points.

Very truly yours,

Kumlander, Donofrio, Hay & Pehl, CPAs, LLP & Luther Forest Wealth Advisors, LLC