

## How The CARES Act Could Impact Your Employees

With the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, I wanted to highlight a few of the critical points that could impact you and your employees.

### Tax Rebates

- Taxpayers with no tax liability would receive \$600, and the amount increases dollar for dollar for those with a tax liability up to \$1,200 for individuals. For married couples, the rebate doubles to \$2,400. Families are also eligible for an additional \$500 per child who is a dependent under the age of 17.
- For individuals with annual adjusted gross income over \$75,000, the rebate would phase out by 5% of any income over \$75,000, gradually dropping to zero for income above \$99,000 per year.
- For head of households with one or more children and annual adjusted gross income over \$112,500, the rebate would phase out by 5% of any income over \$112,500, gradually dropping to zero for incomes above \$146,500 per year.
- For families with no children and annual adjusted gross income over \$150,000, the rebate would phase out by 5% of any income over \$150,000, gradually dropping to zero for incomes above \$198,000 per year.
- For families with two or more children and adjusted gross income over \$150,000, the rebate would phase out by 5% of any income over \$150,000, gradually dropping to zero for incomes above \$218,000 per year.
  - If your income is over the AGI threshold, and you have children, you will not receive a rebate

For most Americans, no action will be required to receive a rebate check since the IRS will use your 2019 tax return if filed or your 2018 return if you haven't filed your 2019 return.

### Temporary student loan relief

- All loan and interest payments would be deferred through Sept. 30 without penalty to the borrower for all federally owned student loans.
- No garnishment of wages, Social Security, and tax refunds for student loan debt collection.
- Pausing your federal student loan payments will still result in you getting monthly payment “credit” for public service loan forgiveness (despite what your student loan servicer may tell you)

### Retirement Accounts

- For the calendar year 2020, no one will have to take a required minimum distribution from any individual retirement accounts or workplace retirement savings plans, like a 401(k). That way, you aren’t forced to sell investments that may have fallen in value, which would lock in losses. If you don’t need the money now, you can let the investments sit and hope that they recover.
- You can withdraw up to \$100,000 this year without the usual 10 percent penalty, as long as it’s because of the outbreak.
  - You will still owe income taxes on any withdraw but could spread the amount owed over three years from the date you took the distribution. You could put the money back into the account before those three years are up, even though the rules may typically keep you from contributing that large.
  - Another option if your plan allows, is for 180 days after the bill passes, with certification that you’ve been affected by the pandemic, you’ll be able to take out a loan of up to \$100,000. Usually, you can’t take out more than half your balance, but that rule is suspended.
  - **Unless you absolutely need money to cover your basic living needs, I highly suggest that you do not take withdraws from your retirement account.** The damage of taking out a significant portion of your assets could create long-lasting negative consequences for your wealth management plan.

## Other CARES Act Benefits

- Unemployment benefits have been extended along with an increase in benefits. However, some of these benefits can vary state by state, so please check with your state.
- For renters, the bill puts a 120 day temporary, nationwide eviction moratorium in place for any renters whose landlords have mortgages backed or owned by Fannie Mae, Freddie Mac, and other federal entities. Landlords also can't charge any fees or penalties for nonpayment of rent.
- If you own a small business, Aides to Senator Marco Rubio, Republican of Florida, has put together a [one-page summary](#) of those provisions.
- The ACT does not prevent Internet or Utility companies from shutting off your service.

Please, if you have any questions about the CARES Act or questions your employees may be facing regarding their current financial situation, we are here to help support you.



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