



KORBITZ FINANCIAL PLANNING

Your goals. Your plan. Your terms.

March 30, 2020

Dear Clients and Friends:

First, I apologize for the number of newsletters I have sent recently. If you are a newer client, this is NOT normal. You would typically get about 5 newsletters per year, not 5 newsletters per month. That said, these are not normal times. Developments are occurring faster than most of us can keep up with. I am simply trying to keep you informed.

On Friday March 27th the House passed and the President signed the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act. This legislation is the largest relief bill in history, with the estimated cost of \$2 Trillion. It is a complex piece of legislation running 335 pages. My intent with this newsletter is to provide you with information about the sections which are most likely to affect my clients. Here we go.

Recovery Rebates

The CARES Act provides for payments to be made to most Americans in the coming weeks. This will be an advance refundable credit against your 2020 income tax return. In other words, the US Government will be sending you money now that you would otherwise get as a credit on your 2020 income tax return a year from now.

The basic credit is \$1,200 for each adult taxpayer, or \$2,400 for each adult married couple. In addition, there is a \$500 payment for each child of the taxpayer who is under the age of 17 during 2020.

The rebates are phased out based on Adjusted Gross Income (AGI). If your 2018 (or 2019, if you have filed your return) AGI is less than the following amounts, you will receive the full rebate:

Married Filing Jointly \$150,000

Head of Household \$112,500

Single \$75,000

The rebate is phased out so that it will be reduced by \$5 for every \$100 of income over the amounts listed above. There are no set dollar amounts for the phaseout since the amount of the rebate will vary depending upon whether the taxpayer has any qualifying children, and how many.

The final amount of the rebates will be reconciled on your 2020 income tax return, and it is possible that you might get more of a rebate with your 2020 return, if you did not get the full rebate initially. Your rebate will not, however, go down when filing your 2020 return.

P.O. Box 170049 | Milwaukee, WI 53217 | Phone: 414-979-1040

Required Minimum Distribution Relief

Any Required Minimum Distribution from a retirement plan that is to be paid during 2020 is now waived. That is, you do not need to take it if you do not want to. This includes a first time RMD for a taxpayer who turned 70 ½ in 2019 who has not yet taken their first RMD.

Keep in mind that if you do not take your 2020 RMD, your future RMDs are likely to be higher. If you NEED to take your RMD in 2020 to provide for living expenses, you are certainly allowed to do so. Furthermore, if you have already taken some of your RMD, you can elect to not take the rest of it, and you will not be penalized.

It has been indicated that a mechanism may be put in place to allow those who have already taken their 2020 RMD to put it back into the account. More details need to be released by the IRS on this issue.

Suspension of 10% Early Withdrawal Penalty on COVID-19 Retirement Withdrawals

Normally if a taxpayer younger than 59 ½ withdraws money from a retirement plan, that withdrawal is subject to taxation AND a 10% early withdrawal penalty.

The CARES Act suspends for 2020 the 10% penalty for withdrawals up to \$100,000 from a retirement plan for certain individuals affected by the COVID-19 pandemic. The act also allows the tax on that withdrawal to be paid over 3 years, OR for the taxpayer to put the money back into the retirement account over 3 years and NOT be subject to tax. Again, more details need to be released on the specifics of this provision.

Additional Charitable Deduction

Normally charitable contributions are added to your tax deductions, and interest deductions, and provide you with a tax benefit ONLY if the total exceeds your standard deduction. For 2020 only, the CARES Act provides a \$300 charitable deduction that can be taken by any taxpayer, even if they cannot itemize.

Increase in Unemployment Benefits

The CARES Act provides an additional \$600 per week payment to each recipient of unemployment insurance or pandemic unemployment assistance for up to four months.

Non-CARES Act Tax Reminders

As a reminder, if you have not looked at my earlier tax newsletters, the following changes were recently put into place:

- The tax deadline for Federal and most state 2019 income tax returns is now July 15, 2020.
- The due date for taxes due with Federal and most state 2019 income tax returns is now July 15, 2020
- The due date for Federal and most state 2020 first quarter estimated payments is now July 15, 2020
- The due date for 2020 **second quarter estimated payments remains June 15, 2020.**
(Yes, the second quarter estimated payments are due before the first quarter estimated payments. I didn't write the rules.)

The relief above includes, but is not limited to, the following states: CA, CO, DE, GA, IL, IN, KS, MD, MN, NE, OR, PA, WI.

I am encouraging all taxpayers to finish their returns, and to file them as soon as possible for the following reasons:

- Filing earlier rather than later helps to reduce identity theft and fraud.
- If you are getting a refund, the sooner you file, the sooner you will get it back.
- If you owe with your return, you can certainly file now, and pay later.
- If you were to get sick, there is the risk that you will fail to file your tax return.

Conclusion

There is much, much more to the CARES Act than I am able to put in this newsletter.

I recommend reading local and national publications for further details. If I am working on your tax return at this time, I will be in touch concerning anything that affects you. If we have a meeting scheduled in 2020, we will address these issues at that time.

I will have more planning ideas in my normal April newsletter, which I hope to get to you prior to April 15th. In the meantime, please contact me if you have any questions.

Be well, stay healthy.

Eric

Eric S. Korbitz, CPA/PFS, CFP®