RonaldBlueTrust
Wisdom for Wealth. *For Life.*

CARES Act

INDIVIDUAL AND FAMILY IMPLICATIONS

Ronald Blue Trust is pleased to provide a brief synopsis of some of the individual and family financial planning strategies and opportunities to consider as it relates to the recently passed "Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act."

RECOVERY REBATE CHECKS

- The headline provision from the bill relates to recovery rebate checks. The CARES Act provides up to $1,200 for individuals/$2,400 for married couples and an additional $500 for each child under the age of 17. The amount of the rebate phases out using your adjusted gross income (AGI) based on your tax filing status. The phase-out begins at $150,000 for Married Filing Jointly, $112,500 for Head of Household, and $75,000 for Single.
- If your income is above these thresholds, your rebate check will be phased-out (reduced) for every $5 per $100 of additional income. The amount is entirely phased-out for single filers with an AGI exceeding $99,000, $146,500 for head of household filers with one child, and $198,000 for joint filers with no children. For a typical family of four (married couple with two small children), the amount is completely phased-out for those with an AGI exceeding $218,000.
- The Internal Revenue Service (IRS) will use your 2019 Tax Return as the basis for determining your AGI for the rebate. If you have not filed your 2019 return yet (as you now have until July 15 to file), the IRS will use your 2018 return.
- If your 2020 AGI is higher than the phase-out limit, you can keep all of your rebate check and will not owe any additional tax on the amount received.
- This payment is supposed to be paid as soon as possible but may not be sent to you until May 2020.

RETIREMENT PROVISIONS

- Required minimum distributions (RMDs) have been waived for 2020. If you have already received your yearly RMD within the last 60 days and you have only completed one IRA to IRA or Roth IRA to Roth IRA transfer in the past 365 days, you may be eligible to roll the money back into your original account assuming you do not need the money.
- Inherited IRA RMDs are also not required for 2020. If you have already taken your yearly required distribution from your inherited account, you generally cannot roll this amount back into your inherited account.
- If you turned 70 ½ in 2019 and delayed your first RMD until April 1, 2020, this RMD does not need to be taken this year.
- Coronavirus-Related Distributions: You can now take a total of $100,000 per person from a combination of IRAs or employer plans during 2020 if the distribution is related to the coronavirus. Acceptable reasons for distribution include: you have been diagnosed with coronavirus, a spouse or dependent is diagnosed with coronavirus, you experience adverse financial consequences related to the coronavirus, you are unable to work because you lack childcare as a result of the disease, you own a business that closed or operated under reduced hours because of the disease or you meet some other reason that the IRS will approve.
- A coronavirus-related distribution is not subject to a 10% early withdrawal penalty if the individual is under 59 ½ when they take the distribution.

- If you take the coronavirus-related distribution from an employer type plan, there is no 20% mandatory withholding on the distribution.
- As for replenishing the amount taken from a retirement account related to a coronavirus-related distribution, you now have up to three years to replenish your retirement account.
- For the federal income tax owed on the coronavirus-related distribution, this tax can be paid all in one year or spread out over three tax years.
- You are now eligible to take out a loan for up to $100,000 (plan permitting and reduced by prior loans) from your workplace retirement plan. Up to 100% of your vested balance may be used subject to the $100,000 cap. If you have an existing loan(s), repayment on that loan(s) can be delayed for up to one year.

Charitable Contributions

- A $300 charitable contribution is allowed even if you do not itemize deductions. It must be in the form of cash and cannot be contributed to a donor-advised fund or 509(a)(3) supporting organization. You cannot take the $300 deduction if you can itemize deductions.
- There is now a 100% of AGI limitation on contributions made in cash instead of the current 60% of AGI limitation. The contribution cannot go to a donor-advised fund or 509(a)(3) supporting organization.

Student Loan Provisions

- Federal student loan payments have been deferred for six months until September 30, 2020. No action is needed on the part of the borrower. Loan servicers will automatically implement deferments. During this deferral period, no interest will be accrued.
- The suspended period will also count towards the Public Service Loan Forgiveness (PSLF) program, which requires making on-time payments for 10 years or 120 months' non-consecutive payments.

Healthcare-Related Provisions

- You can now use Health Savings Accounts (HSAs), Archer Medical Savings Accounts (MSAs), or Healthcare Flexible Spending Accounts (FSAs) to buy certain over-the-counter medications.
- The definition of qualified medical expenses has also been broadened to include "menstrual care products" like tampons, pads, liners, or cups.
- All telemedicine services are now covered under a qualified high-deductible health plan (HDHP) before the plan deductible has been satisfied.
- Coronavirus testing and vaccines will now be covered by all group health plans, including Medicare Part B.

Tax Filing Deadline and IRA and HSA Contributions

- The tax filing deadline has been extended to July 15, 2020. This means that 2019 IRA or Roth contributions and HSA contributions can still be made by July 15. Please make sure to clearly earmark the contributions for 2019, because some financial institutions may not have updated their systems for this adjustment.

Please visit ronblue.com for information about Ronald Blue Trust or contact your Ronald Blue Trust advisor if you would like to discuss the provisions of the CARES Act.
