

CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY ACT

Presented by

Stacey Braun
ASSOCIATES, INC.

Provider of the NYSUT Member Benefits-endorsed Financial Counseling Program

About Presenters

Stacey Braun Associates, Inc.:

- ❑ Investment Advisory and Financial Planning Firm established in 1977.
- ❑ 95% of clients are Unions and Union Members.

Presenters:

Gerry McGahran

Certified Public Accountant (NJ)

IRS Enrolled Agent

Certified Financial Planner (CFP)

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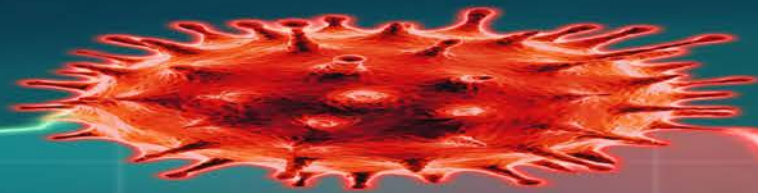
Masters of Taxation

IRS Enrolled Agent

Certified Financial Planner (CFP)

Effect of Covid-19 on Economy

- ❑ 38.6 million people have filed for unemployment since lockdown began in mid-March
- ❑ 14.7% official jobless rate in April with May now approaching 20%
- ❑ 47% of adults or a member of their household have lost employment income (US Census Bureau)
- ❑ Retail sales fell 16.4% in April, now totaling a 23% drop in the past two months
- ❑ US industrial production fell by the most in 101 years
- ❑ US oil prices turned negative for the first time in history.
- ❑ Hertz, Gold's Gym, JC Penney, J. Crew, Modell's, Neiman Marcus all filed for bankruptcy
- ❑ Gross Domestic Product (GDP) -4.8% in first quarter



Government Intervention

- ❑ **March 6:** Congress passes \$8.3 billion emergency spending package
- ❑ **March 12:** Fed says it will pump more than \$1 trillion into financial system
- ❑ **March 13:** Student borrowers are offered breaks
- ❑ **March 13:** National Emergency declared
- ❑ **March 15:** Fed launches \$700 billion quantitative easing program
- ❑ **March 17:** Fed takes new steps to keep money flowing
- ❑ **March 18:** Coronavirus relief plan to expand paid leave is passed
- ❑ **March 20:** The Defense Production Act is invoked
- ❑ **March 20:** Education Department says student borrowers can pause loan payments **March 23:** Fed pledges asset purchases with no limit
- ❑ **March 27:** CARES Act signed



Coronavirus, Aid, Relief and Economic Security Act

- ❑ Signed on March 27, 2020
- ❑ \$2 Trillion Relief Effort



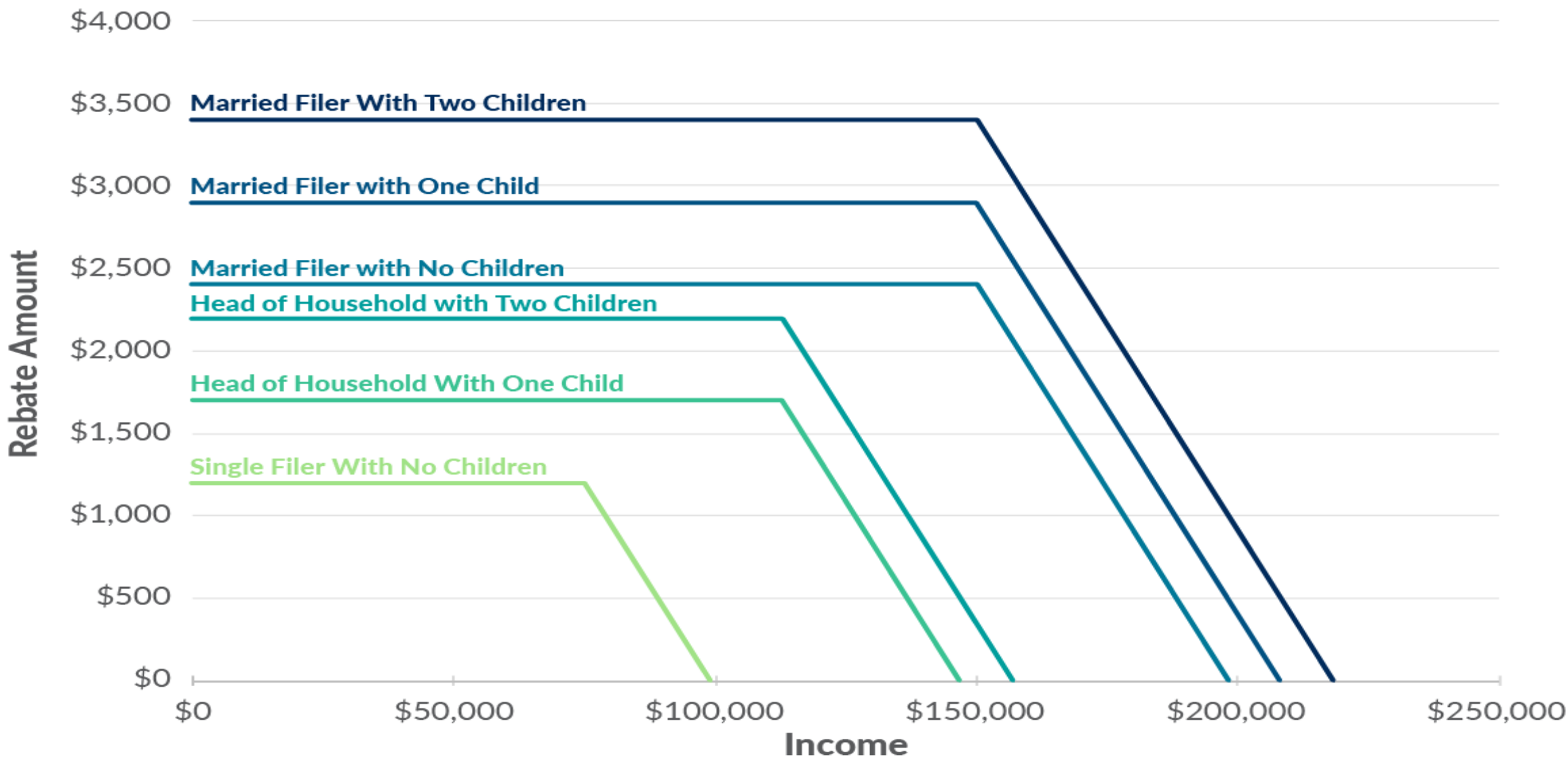
Rebates

- ❑ Up to \$1,200 per Single or Head of Household filer. Up to \$2,400 for joint filers.
- ❑ Income limits apply. Phased out between \$75,000 to \$100,000 for Single filers and \$150,000 to \$200,000 for joint filers.
- ❑ \$500 rebate for each qualifying child (under age 17) if meet income limits.
- ❑ The Rebate is a prepaid and non-taxable 2020 credit
- ❑ Visit www.IRS.Gov – click on “Get My Payment” to find out when you will receive it and to add bank information for direct deposit
- ❑ Visit <https://turbotax.intuit.com/stimulus-check/> for online rebate calculator.



Relief Rebate in the CARES Act

Individual Economic Relief Rebate By Filing Status



Source: "Coronavirus Aid, Relief, and Economic Security Act"

Retirement Plans

❑ Withdrawals

- Up to \$100,000 available to withdraw (without under age 59.5 10% penalty)
- No tax if paid back within 3 years

❑ Loans

- Up to \$100,000 available to borrow (or 100% of account value, whichever is lower)
- Must be paid back in 5 years
- Can delay new and existing loan payments for 1 year (interest will still accrue)

❑ Contact your retirement plan provider for more information and to file the application



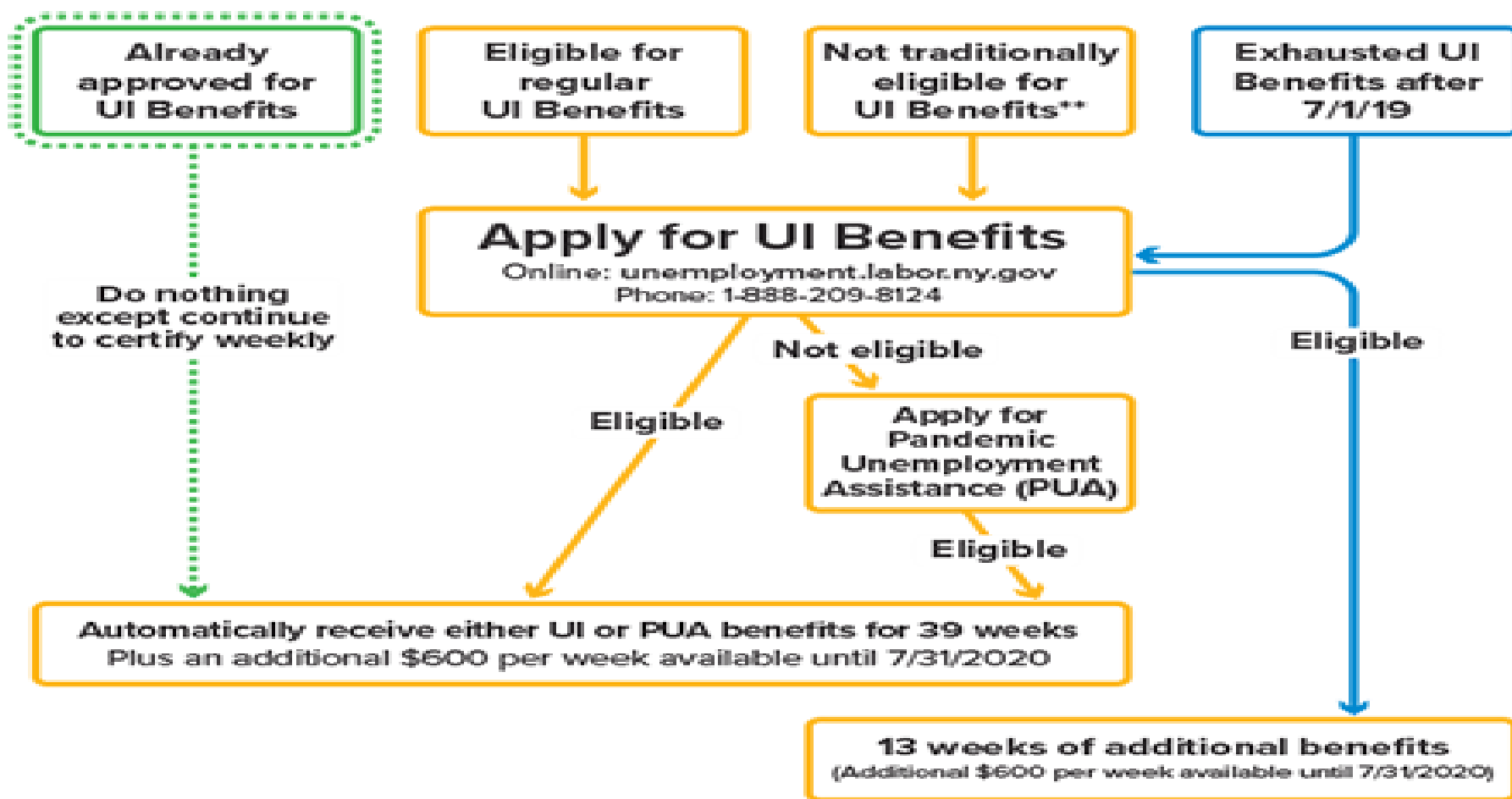
**Must be negatively affected by the Coronavirus and be signed off by you and employer*

Unemployment

- ❑ Unemployment benefits extended 13 weeks to 39 weeks (26 weeks state plus 13 weeks federal)
- ❑ Adds additional \$600 per week (currently, through July 31, 2020)
- ❑ Available for self-employed, independent contractors and limited work record employees
- ❑ Available to individuals forced to quit a job to provide care for family member(s) afflicted by the virus
- ❑ Visit <https://labor.ny.gov/unemploymentassistance.shtm> for more information



Pathways to State and Federal Benefits



Income Taxes

- ❑ Tax filing and payments for tax year 2019 have been extended to July 15, 2020
- ❑ Extension of Roth and IRA contributions to July 15, 2020
- ❑ Required Minimum Distributions Suspended for 2020 (age previously increased to 72)
- ❑ \$300 “above the line” charitable contribution deduction for standard deduction filers

Contact www.IRS.gov for tax questions or rebate information



Student Loans

- ❑ Federal Loan Payments automatically suspended for 6 months
- ❑ Need to contact servicer to “opt out”
- ❑ Does not apply to private loans or loans not “owned or backed” by federal government
- ❑ Contact your loan servicer for more information

Contact www.StudentAid.gov or call 1-800-4-FEDAID for more information



Mortgages

- ❑ Federally backed mortgages 180 day forbearance for those facing hardship due to virus
- ❑ No foreclosures for 60 days
- ❑ Contact your mortgage servicer for more information (even if not federally backed, you may have options)
- ❑ Visit <https://www.knowyouroptions.com/loanlookup> and <https://ww3.freddiemac.com/loanlookup/> to determine if your mortgage is federally backed



Credit Reporting

- ❑ Reports to credit agencies must show accounts current during National Emergency Period
- ❑ Must have worked an agreement with your creditor – can't just stop making payments



Budgeting, Investing, and Financial Recommendations

- ❑ Increased importance of Emergency Fund
- ❑ Consider deferring non-essential purchases
- ❑ Anxiety, uncertainty, and developments can quickly move financial markets:
 - ❑ Avoid making hasty investments if can't afford to lose money
 - ❑ Avoid making emotional buy/sell decisions
 - ❑ Resist temptation to try to “time” the market; stick to long term plan
- ❑ Re-financing and/or HELOC opportunities should be explored:
 - ❑ Consider re-financing a mortgage to take advantage of lower rates
 - ❑ Arrange or preserve access to a Home Equity Line Of Credit (for emergencies)



Where to go for help?

- ❑ IRS (www.irs.gov) Check your refund or stimulus payment
- ❑ Call your bank, mortgage provider and student loan servicer
- ❑ NYSUT Member Benefits-endorsed Financial Counseling Program
 - ❑ memberbenefits.nysut.org



Frequently Asked Questions - Rebates

What exactly are the recovery rebates?

The recovery rebates (Economic Impact Payments) are refundable tax credits. This means that the rebate decreases a taxpayer's tax liability dollar-for-dollar, and the credit can be refunded to a taxpayer if they have no tax liability to offset.

The rebates are tax credits that will be applied to 2020 tax returns, but are advanced to taxpayers now based on their 2019 or 2018 adjusted gross income (AGI). The credit will be applied to 2020 tax returns using 2020's AGI next spring, and taxpayers will receive the difference of the credit if it is in their favor.

For example, if a single taxpayer with no children made \$200,000 in 2019, they would not receive an advance rebate based on their 2019 income. However, if they make \$35,000 in 2020, they will receive a \$1,200 refundable tax credit on their 2020 tax return. But in reverse, if a taxpayer had a \$35,000 AGI in 2019 but has \$200,000 AGI in 2020, they would receive a \$1,200 rebate now and would not have to pay it back on their 2020 tax return.

How much of a rebate will I receive?

Individuals with a Social Security Number (SSN) and who are not dependents may receive \$1,200 (single filers and heads of household) or \$2,400 (joint filers), with an additional rebate of \$500 per qualifying child, if they have adjusted gross income (AGI) under \$75,000 (single), \$150,000 (joint), or \$112,500 (heads of household) using 2019 tax return information. (The IRS will use 2018 tax return information if the taxpayer has not yet filed for 2019.) The rebate phases out at \$50 for every \$1,000 of income earned above those thresholds.

Use this calculator to determine your rebate using your AGI, number of dependents, and filing status.

How do I get my rebate?

For most Americans, no action is required. The IRS will use data from the most current tax returns or Social Security data to provide a rebate to Americans either via direct deposit (if such information is available) or through a paper check in the mail to the last address on file.

U.S. Treasury Secretary Steven Mnuchin said he hopes to distribute rebates to taxpayers who e-filed with direct deposit banking information in three weeks. Taxpayers receiving rebate checks may have to wait six to eight weeks to receive a paper check in the mail.

Treasury will be developing a web-based portal for individuals to provide their banking information to the IRS online. Taxpayers will be able to receive payments immediately as opposed to checks in the mail.

Can I file taxes now for 2019 and have it applied for rebate eligibility?

Yes. The IRS has recommended taxpayers to e-file as soon as possible if they think they will be owed a refund and has specifically advised taxpayers not to wait until July 15, the extended deadline from the usual April 15 date.

Are the recovery rebates just an advance on the tax refund I would get anyway when I file my 2020 tax return?

No. The recovery rebates are an additional refundable tax credit that will be applied to 2020 tax returns, but estimates are paid out to taxpayers based on 2019 or 2018 adjusted gross income (AGI). This is an additional credit for the taxpayer on top of whatever refund or tax is owed for the 2020 tax year.

For example, imagine a single taxpayer with no children who made \$35,000 AGI in 2019. This taxpayer will receive a \$1,200 rebate now, and this rebate would also show up in the taxpayer's 2020 tax return as a tax credit already received. If the taxpayer would be receiving a \$500 tax refund based on their income tax withholding, they would still receive that \$500 refund when they file their 2020 tax return.

Is there a way for me to get my check faster?

The IRS has stated that those who filed their taxes electronically and provided direct deposit information will get their money the fastest.

Treasury will be developing a web-based portal for individuals to provide their banking information to the IRS online. Taxpayers will be able to receive payments faster as opposed to waiting for checks in the mail.

Is there any minimum income amount to qualify for the rebate and claim dependents?

No, even filers with \$0 of income can file for the rebate. However, they must file a tax return to ensure the IRS can process the rebate. Additionally, they must have a Social Security Number and not be claimed as a dependent on another person's return.

Which dependents qualify for a rebate?

The CARES Act uses the Child Tax Credit (CTC) eligibility standards. All qualifying children who are under age 17 who have not provided for more than half of their own expenses and lived with the taxpayer for more than six months are eligible. This means that adult dependents, such as college students aged 17 and over, and elderly dependents do not qualify for the \$500 rebate. Adult dependents do not qualify for their own rebate either.

How many dependents can I claim?

The CARES Act does not provide a maximum number of children that can be claimed. However, for each dependent to qualify they must be claimed by the taxpayer on their tax return.

What if I had a baby in 2019 or earlier this year and haven't filed a return?

If a taxpayer has not already filed a 2019 return with the name and Social Security Number (SSN) of the eligible dependent being claimed, the filer will not receive credit for those dependents born after they filed their 2018 return. However, the taxpayer may claim a \$500 credit for each eligible child on their 2020 return.

What if I am divorced? Does each parent receive a \$500 check for each of their dependents?

Only the parental taxpayer claiming the child as a dependent will receive the \$500.

Tax filing and payments for tax year 2019 have been delayed until July 15. What information will Treasury use to determine my rebate?

Treasury will use tax year 2019 returns if available. If a taxpayer has not filed for tax year 2019, Treasury can fall back on 2018 return information. For those relying on Social Security and Veterans benefits but who have not filed in 2019 or 2018, Treasury Secretary Steven Mnuchin announced that these beneficiaries will not have to submit a separate tax return to receive a rebate. The payment will be sent directly to their bank account associated with those benefits. Other taxpayers who have not filed for the past two years should submit a tax return for 2018 or 2019 as soon as possible to receive their rebate.

What if I have not filed my taxes for 2019, is there still an opportunity to get my money?

Yes, the IRS will look at your 2018 tax return to check for rebate eligibility but has also advised all taxpayers expecting a refund to file their 2019 tax return as soon as possible. Social Security beneficiaries will still receive rebates even if they have not filed tax returns for 2018 or 2019; their rebates will be sent to the bank account associated with receiving benefits.

What if I have not filed my taxes for 2019, is there still an opportunity to get my money?

Yes, the IRS will look at your 2018 tax return to check for rebate eligibility but has also advised all taxpayers expecting a refund to file their 2019 tax return as soon as possible. Social Security beneficiaries will still receive rebates even if they have not filed tax returns for 2018 or 2019; their rebates will be sent to the bank account associated with receiving benefits.

If I had high income in 2019 but lost my job, do I still qualify?

If a taxpayer's high income in 2019 puts them above the threshold, they may be in the phaseout range and remain eligible for a partial refund. If their income is lower in 2020 when they file taxes, any remaining credit that they are eligible for will also be refunded or deducted from their tax liability when they file taxes for 2020.

What if my income rises in 2020 and I received a higher rebate using my 2019 return?

There is no penalty for receiving a rebate based on a lower income on 2019 or 2018 tax returns. If a filer's eligible rebate rises when using 2020 tax returns, that will be remedied on their 2020 return. If the filer is given too much, the IRS will not penalize them.

If my rebate is too large due to dependent eligibility mistakes, will I have to pay it back? Will my rebate be considered part of my taxable income in 2020?

No. Like all refundable tax credits (e.g., Child Tax Credit, Earned Income Tax Credit (EITC)), any part of the rebate, even in excess, is not considered as part of taxable income.

If my income drops in 2020, can I get additional rebate if I got a lower rebate based on 2019 income?

Yes, if a taxpayer's income drops in 2020, they will be eligible for any remaining rebate credit they were not able to claim using their 2019 or 2018 return.

If I make more income in 2020, do I have to pay any amount back?

No, if the amount of credit a taxpayer qualifies for in 2020 is less than it was based on their 2019 return, it does not have to be paid back and it is not considered taxable income.

Will those receiving Social Security benefits still receive a rebate check?

Yes, all taxpayers are eligible for the rebate, including those receiving Social Security benefits, subject to the same eligibility rules as other taxpayers. Treasury Secretary Mnuchin announced that these beneficiaries will not have to submit a separate tax return to receive a rebate. The payment will be sent directly to their bank account associated with those benefits.

Do I still receive a check if I am on Social Security disability benefits?

Yes, Social Security beneficiaries should receive their rebate through the bank account associated with receiving benefits.

FREQUENTLY ASKED QUESTIONS - UNEMPLOYMENT

How did the law change one-week waiting periods before filing for unemployment insurance?

The new law incentivizes states to end one-week waiting periods by providing 100 percent federal financing of the first week for states without one-week waiting periods.

Who qualifies for the expanded Pandemic Unemployment Insurance?

Workers must meet these three qualifications: 1) ineligible for any other state or federal unemployment benefits; 2) unemployed, partially unemployed, or cannot work due to the COVID-19 public health emergency; and 3) cannot telework or receive paid leave. This includes workers like those who are self-employed, independent contractors, gig economy workers, and those who do not have sufficient work history to qualify for regular benefits.

These workers are now eligible for a temporary federal program called Pandemic Unemployment Assistance that provides 39 weeks of unemployment benefits.

How are benefits calculated under these expansions?

The Pandemic Unemployment Assistance benefit amount varies by state, is subject to a minimum, and is augmented by a new \$600 weekly boost called Federal Pandemic Unemployment Compensation. The length of benefits is 39 weeks, which reflects the regular 26 weeks provided under state programs plus the temporary 13-week expansion.

How does the \$600 weekly boost work?

The new law that created the \$600 weekly boost is fully funded by the federal government to augment the regular unemployment benefit amount an unemployed worker receives. States are not authorized to reduce the amount or duration of their unemployment compensation during the time of the federal expansion.

Can someone laid off before the new law was passed qualify for the new benefits?

Yes. The \$600 weekly boost will be provided as a supplement to those who are already receiving unemployment compensation at the state level. Additionally, the newly created Pandemic Unemployment Assistance program provides benefits (including the \$600 boost) for unemployment, partial unemployment, or inability to work that began on or after January 27, 2020 and ends on or before December 31, 2020. These benefits can be paid retroactively to those who qualify.

Is it true that people who were not laid off can also qualify?

In some cases, yes. Individuals who can provide self-certification that they had to quit for a specific COVID-19-related reason and who do not have the ability to telework with pay, or access paid sick leave or other paid leave benefits, may qualify for Pandemic Unemployment Assistance. Some of the specific reasons workers could qualify without being laid off include otherwise being able to work except that they are unemployed, partially unemployed, or unavailable to work because of being diagnosed with COVID-19; a family member in their household has been diagnosed with COVID-19; they are caring for a family member with COVID-19; or they have to care for their child whose daycare or school is closed due to COVID-19.

Who determines if I qualify for the benefits?

State departments of labor will administer the expanded benefits as well as their existing benefit programs. Workers will need to file a claim with the unemployment insurance program in the state where they worked, and the states will determine whether workers qualify for benefits.

The U.S. Department of Labor has more information and advises, “For now you should file for benefits as directed on your state’s website and look for information about how to receive future updates.”

How long do these benefits last?

The federal expansion provides 13 “extra” weeks of benefits, meaning that in total, workers can qualify for up to 39 weeks of unemployment benefits during the COVID-19 public health crisis (26 weeks under state programs, plus 13 additional weeks provided by the federal government).

Federal expansions including the extra 13 weeks, the extra \$600, and the extension to workers who previously didn’t qualify will be in effect through December 31, 2020.

Are the new benefits taxable?

Yes. Regular unemployment insurance is counted as income and taxed on individual tax returns, and these expansions of unemployment insurance are likewise counted as income and taxable. Taxpayers will be required to disclose all of their unemployment insurance benefits when they file their taxes.

Stacey Braun

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