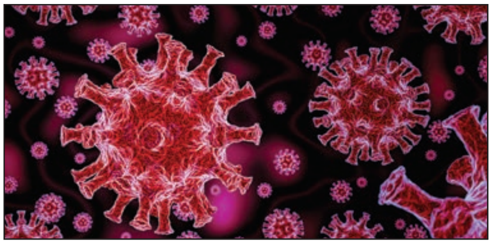
TAX YEAR
2020



Coronavirus (COVID-19) Legislation—Individuals

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Coronavirus (COVID-19) Legislation—Individuals

Recent legislation, such as the Families First Coronavirus Response Act and the Coronavirus, Aid, Relief, and Economic Security (CARES) Act has provided some financial and tax relief for certain taxpayers. The following is a summary of some of the provisions.

Filing and Payment Deadline

The April 15, 2020, due date for any person (individual, trust, estate, or unincorporated business entity) who must file a federal income tax return or has any amount of federal income tax due, is automatically postponed to July 15, 2020. The postponed deadline is automatic, meaning no extension is required to be filed. No interest or penalty will accrue until July 16, 2020. You do not have to be sick or quarantined, or have any other impact from COVID-19 to qualify for the postponed deadline.

Estimated tax. First quarter estimated tax payments usually due April 15 and second quarter estimated tax payments due June 15 are postponed to July 15.

State tax returns. Most states have also extended filing and payment deadlines, but some states have implemented different due dates or not conformed. Be sure to confirm with each state for the most updated information.

Contributions made by due date. Generally, contributions made to an individual retirement arrangement (IRA) or a health savings account (HSA) applicable for tax year 2019, must be made by April 15, 2020. Because the due date has been postponed to July 15, you have until July 15 to make 2019 contributions to an IRA or HSA.

2016 tax return. The postponed deadline also applies to 2016 tax returns. Any claim for refund for tax year 2016 must be filed by July 15, 2020.

Recovery Rebates (Stimulus Payment)

A one-time recovery rebate is an advance refundable credit against your 2020 taxes and equal to $1,200 for individuals ($2,400 for joint filers), plus an additional $500 per child under age 17 who qualifies for the Child Tax Credit.

Eligibility. All U.S. residents with adjusted gross income (AGI) up to $75,000 ($112,500 for Head of Household, $150,000 Married Filing Jointly), who are not claimed as a dependent of another taxpayer, and have a work-eligible Social Security Number, are eligible for the full rebate amount. This is true even if you have no income, or if your income comes entirely from nontaxable means-tested benefit programs, such as SSI benefits. The threshold amount is based on 2018 AGI (unless a 2019 return has already been filed).

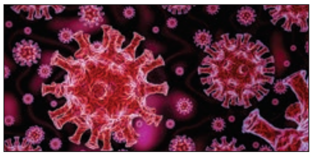
Phaseout. The rebate amount is reduced by $5 for each $100 that your AGI exceeds the phaseout threshold. The rebate is completely phased-out at $99,000 (Single), $136,500 (HOH), and $198,000 (MFJ).

How to receive. For most individuals, no action is required in order to receive the recovery rebate. It will be direct deposited if you have authorized a direct deposit or direct debit for your most recently-filed tax return. Otherwise, a check will be mailed to your last known address. The rebate may be offset by past-due child support, but not any other federal or state debt.

Go to www.irs.gov/coronavirus/economic-impact-payments to update bank account or mailing address, or to enter payment information for non-filers.

Retirement Plan Distributions

COVID-19-related distribution. The 10% early-withdrawal penalty is waived for COVID-19-related distributions up to $100,000 from qualified retirement plans or IRAs. A COVID-19-related distribution is one made during the 2020 calendar year to an individual who is diagnosed



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with COVID-19 by a CDC-approved test, whose spouse or dependent is diagnosed with COVID-19, or who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of childcare due to COVID-19, or closing or reducing hours of a business owned or operated by the individual. Any income from an early withdrawal can be included in income ratably over a 3-year period. The withdrawn amount can also be recontributed over three years without regard to annual contribution limits.

Retirement plan loans. Plan loan limits are increased from $50,000 to $100,000 and loan repayment may be delayed up to one year.

Required minimum distribution (RMD). RMDs are waived for calendar year 2020. If you are currently taking RMDs, you are not required to do so for 2020. This also includes your first RMD, which you may have delayed from 2019 until April 1, 2020.

Charitable Contributions

New deduction. Beginning in 2020, a new above-the-line deduction up to $300 is available for individuals who do not itemize deductions.

Limitations. For 2020 only, the 50% AGI limit for cash donations by individuals is suspended. If you itemize, you may deduct cash contributions up to your AGI. Any excess contribution amount may be carried forward.

Health Savings Account (HSA)

COVID-19 health benefits. A high-deductible health plan (HDHP) may pay for COVID-19 health benefits before the minimum deductible requirements are satisfied. Health benefits provided by an HDHP may include medical care services and items purchased related to testing and treatment. Vaccinations, once available, are treated as preventive care.

Over-the-counter (OTC) medicines. Beginning in 2020, OTC medications may be purchased using HSAs, flex spending arrangements (FSAs), and Archers MSAs. This includes pain and allergy relief medications without a prescription.

In addition, menstrual care products have been added to qualified medical expenses.

Unemployment

A temporary new program provides unemployment benefits for those individuals not traditionally eligible (self-employed, independent contractors, limited work history), who are unable to work as a direct result of COVID-19 public health emergency.

Student Loans

Some relief is available for federal student loan borrowers. Most provisions apply only to Direct Loans and Federal Family Education Loans (FFEL) that are currently owned by the U.S. Department of Education. FFELs owned by commercial lenders and Perkins loans owned by your educational institution are not eligible.

Payment suspension. All payments due for eligible federal student loans are suspended until September 30, 2020.

Each month of suspension will count toward a loan payment for the purpose of any loan forgiveness program or loan rehabilitation program. This means suspended payments are considered qualifying payments for income-based repayment, Public Service Loan Forgiveness, or defaulted loans enrolled in a rehabilitation program.

Interest waiver. During the period of payment suspension, no interest will accrue. For eligible federal student loans, the interest rate is 0% until September 30, 2020.

Collections. During the period of payment suspension, wage garnishments, refund offsets, federal benefit reductions, or any other involuntary collection activity are also suspended.

Employer educational assistance. If your employer provides educational assistance fringe benefits, up to $5,250 may be excluded from taxable income for employer payments to your student loan from March 27, 2020 through December 31, 2020. The $5,250 limit applies to student loan payments and tuition assistance payments combined. You cannot claim a student loan interest deduction for employer-paid interest.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 72.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.