



## **COVID-19 spurring tax and finance changes**

*Update 3/27: Congress today [approved a \\$2 trillion emergency economic aid package](#) to help Americans withstand the COVID-19 pandemic, which includes the measures outlined below.*

The novel coronavirus, or COVID-19, is changing our lives in many ways, including how we file our income taxes. The IRS announced some changes that impact your 2019 income tax return. Congress is also considering legislation that could provide Americans more financial flexibility in managing COVID-19-related costs.

Here is what you need to know:

### **Do I still need to file my tax return by April 15?**

No. The IRS postponed the income tax filing deadline to July 15, allowing taxpayers more time to prepare their tax returns, since COVID-19 may make that more difficult.

### **If I owe, do I need to pay all my income tax due by April 15?**

No. Under normal circumstances, if you apply for an extension to file your tax return, you still must pay your tax liability in full by April 15. However, since the IRS postponed the April 15 due date to July 15, you do not have to pay the income tax due until July 15. Also, no penalty and interest will be assessed during that time. The government is trying to make sure that people have more liquidity in the short term to manage financial costs associated with COVID-19.

### **What if I am self-employed and pay self-employment tax?**

The postponement applies to self-employment tax as well as income tax. You do not have to pay any self-employment tax due until July 15.

### **What if I pay estimated tax?**

If you pay estimated tax, your first required payment for 2020 is due April 15 under ordinary circumstances. However, the April 15 payment due date for estimated tax has also been postponed to July 15.

### **What if I am expecting a refund?**

If you are expecting a refund, you should probably still file your income tax return as soon as you can. Filing sooner rather than later will start the process of getting your overpaid tax back to you so you can use it as needed.

### **When is the last day I can make an IRA contribution?**

Because the due date of your income tax return was postponed to July 15, you have until July 15 to make an IRA contribution for 2019. The IRA contribution deadline is tied to the due date of your income tax return, and the government purposefully postponed that date to allow you more time to decide whether to make an IRA contribution for 2019.

### **Does the IRS tax filing and payment postponement apply to state and local income tax obligations?**

No. Each state can establish its own rules and may or may not follow the IRS approach.

### **What else?**

Congress has passed and the President has signed into law the CARES Act, which is intended to provide more financial flexibility to manage COVID-19-related costs. There are several tax and retirement provisions of interest, such as:

1. Recovery checks of up to \$1,200 for a single taxpayer and \$2,400 for a married couple. Note these amounts are phased out and not available for high-income taxpayers.
2. Suspending required distributions from IRAs and retirement plans for 2020.
3. Waiving the 10% early withdrawal penalty tax for distributions up to \$100,000 from IRAs and retirement accounts for COVID-19-related reasons.
4. Allowing the payment of income tax over three years for amounts withdrawn from IRAs and retirement accounts for COVID-19-related reasons.
5. Allowing a three year period for recontribution of the funds withdrawn from IRAs and retirement accounts for COVID-19-related reasons.
6. Allowing a \$300 deduction for charitable cash contributions, whether or not the individual itemizes deductions.
7. Allowing reimbursement for menstrual care products and previously disallowed over the counter drugs under Flexible Savings Accounts and Health Savings Accounts.

The IRS change and CARES Act provide needed relief for many people. If you have questions, make sure to talk with your personal tax advisor.