



To Our Valued Clients

The health, safety, and wellbeing of our clients, partners, and colleagues continues to be foremost in our minds as we monitor the COVID-19 outbreak. In support of that, our remote work plans have enabled us to provide you with uninterrupted service. Our support staff, office team, and financial advisors are continuing to respond efficiently to your financial planning and investment needs throughout this quarantine period using video conferencing technology and secure access to account online.

We are cognizant that some of you have concerns about the impact this has had on the economy. We have prepared a description of several programs the government is providing to help the country through the COVID-19 crisis.

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act" or the "Act"), a massive \$2 trillion piece of legislation intended to address the extraordinary impact of the coronavirus (COVID-19) pandemic. The legislation, in part, provides, subject to specified conditions, for:

- Loans and assistance to companies and state and local governments
- Low-interest and small business loans that can be partially forgiven
- Payments to individual taxpayers
- Additional unemployment benefits
- Suspension of certain federal student loan payments
- Financial hardship forbearance on federally backed mortgage loans
- Assistance to hospitals and veterans care
- Funding for national stockpile of pharmaceutical and medical supplies
- Tax relief provisions.

We highlighted a few key areas that would be most relevant to our clients.

Rebates and Other Individual Provisions

Individual Rebate Checks

The Act provides recovery credits for eligible individuals of up to \$1,200 per adult taxpayer and \$500 for each qualifying child. (A qualifying child is a child that you can claim as a dependent.) Rebates are subject to phase-out thresholds beginning at \$75,000 of adjusted gross income (AGI) for single filers/\$150,000 for joint filers. If you filed a 2018 or 2019 tax return you will get a check in the mail or direct deposited to your bank account. If you do not get a rebate, you can get a credit on your 2020 taxes when you file those.

The rebate is available even to those with no income, as well as those whose income comes entirely from non-taxable means tested benefit programs, such as Supplemental Security Income (SSI) benefits. Payments under this provision are to be made "as rapidly as possible," but not after December 31, 2020.

Retirement Plan Waivers

You can withdraw up to \$100,000 from a retirement plan without getting hit with the extra 10% penalty for withdrawing before the age of 59 ½. You must have been diagnosed with COVID-19, had a family member diagnosed, been quarantined, been laid off because of the virus, had your business hours reduced because of the virus, or been unable to find necessary childcare because of the virus. The amount withdrawn can be included in income equally over 3 years, so you do not end up in a higher bracket. The Act doubles the current retirement plan loan limits to the lesser of \$100,000 or 100% of the participant's

vested account balance. Individuals with an outstanding loan from their plan with a repayment due from the date of enactment of the Act through 12/31/2020 can delay their loan repayments for up to one year.

RMD requirement waived for 2020 – No required minimum distributions from certain defined contribution retirement plans (not defined benefit plans) and IRA's for 2020. This also applies to inherited IRAs. An exception is a situation where the plan sponsor mandates RMDs. You should contact the plan sponsor to understand the RMD rules of the plan.

Increased Deductions Available for Certain Charitable Contributions

The Act encourages individuals to make charitable contributions during 2020 by providing an above-the-line deduction for cash contributions up to \$300 even if you do not itemize. In addition, the Act allows individuals who itemize to take a charitable contribution deduction for up to 100% of their AGI. For corporations, the 10% limitation is increased by 25%. It also increases limitation on deductions for contributions of food inventor from 15% to 25%.

These provisions apply to taxable years beginning after December 31, 2019.

Business Tax Provisions

Paycheck Protection Program Loans

The Act provides for loans to small businesses that employ 500 or less employees including sole proprietors and independent contractors. The maximum loan amount is 2.5 times the average monthly payroll costs incurred in the previous year ending on the date of the loan up to \$10 million. The length of the loan is two years, with an interest rate of 1%. Payments of principal and interest will not be required for 6 months following date of loan disbursement, but interest will accrue during deferment. Some loan proceeds can be forgiven subject to conditions but not more than 25% of the forgiven amount may be for non-payroll costs. The amount of loan forgiveness will not be includible in the gross income of the borrower. The maximum loan forgiveness will be reduced if there is a reduction in the number of employees or wage reduction of greater than 25%. The loan proceeds are to support ongoing operations and eligible costs. The loans do not require personal guarantees.

Other Key Points

- Other businesses that qualify: Businesses in the accommodation and food services industries with more than one physical location but no more than 500 employees at each location, nonprofit organizations
- Loans will be available through SBA and Treasury approved banks, credit unions, and some nonbank lenders
- Applicable uses for the loan proceeds include: (1) qualified payroll costs; (2) rent; (3) utilities; and (4) interest on mortgage and other debt obligations
- Loan forgiveness is available for funds used to pay 8 weeks of payroll and other qualified expenses.

Employee retention credit

This provision provides a refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees during the COVID-19 crisis. (Act Sec. 2301(a))**

Eligible employers. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel, or group meetings. The credit is also provided to employers who have experienced a greater than 50% reduction in quarterly receipts, measured on a year-over-year basis. (Act Sec. 2301(c)(2))**

The credit is not available to employers receiving Small Business Interruption Loans under Sec. 1102 of the Act. (Act Sec. 2301(j))***

Wages paid to which employees? For employers who had an average number of full-time employees in 2019 of 100 or fewer, all employee wages are eligible, regardless of whether the employee is furloughed. For employers who had a larger average number of full-time employees in 2019, only the wages of

employees who are furloughed or face reduced hours as a result of their employers' closure or reduced gross receipts are eligible for the credit. (Act Sec. 2301(c)(3)(A))**

No credit is available with respect to an employee for any period for which the employer is allowed a Work Opportunity Credit with respect to the employee. (Act Sec. 2301(h)(1))****

Wages. The term "wages" includes health benefits and is capped at the first \$10,000 in wages paid by the employer to an eligible employee. ((Act Sec. 2301(c)(3)(C); Act Sec. 2301(b)(1))**

Wages do not include amounts taken into account for purposes of the payroll credits, for required paid sick leave or required paid family leave in the Families First Coronavirus Act (part of P.L. 116-127) (Act Sec. 2301(c)(3)(A)), nor for wages taken into account for the employer credit for paid family and medical leave. (Act Sec. 2301(h)(2))****

Employers with a Paycheck Protection Program loan are not eligible for the employee retention credit.****

Delay of payment of employer payroll taxes

The CARES Act allows taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020. Employers that have had indebtedness forgiven with respect to a Paycheck Protection Program are not entitled to this deferral.

Net Operating Losses

The CARES Act temporarily removes the taxable income limitation to allow an NOL to fully offset income. Under the Act, NOLs arising in a tax year beginning after Dec. 31, 2018 and before Jan. 1, 2021 can be carried back to each of the five tax years preceding the tax year of such loss.

Non-tax related measures associated with COVID 19

Economic Injury Disaster Loan Program

Small business owners in all U.S. states and territories are currently eligible to apply for a low-interest loan due to Coronavirus (COVID-19). The SBA will work directly with state Governors to provide targeted, low-interest loans to small businesses and non-profits that have been severely impacted by the Coronavirus (COVID-19). The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.

Unemployment Compensation

An increase in unemployment benefits of \$600 per week, in addition to the base amount paid by each state, for four months, and an extension of the time period that a person can receive benefits. **Under some circumstances, self-employed people and gig economy workers who normally would not qualify for unemployment benefits, can receive benefits under a new Pandemic Unemployment Assistance program.** The CARES Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency. Specifically, the CARES Act provides that a "covered individual" includes anyone who self-certifies that they are able and available to work but is unemployed or partially unemployed due to any of the following:

- Has been diagnosed with COVID-19 or is experiencing symptoms and seeking a medical diagnosis.
- A member of the individual's household has been diagnosed with COVID-19.
- The individual is providing care for a family member or household member who has been diagnosed with COVID-19.
- The individual is the primary caregiver for a child or other person in the household who is unable to attend school or another facility as a direct result of COVID-19.
- The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of COVID-19.

- The individual is unable to work because a health care provider has advised the individual to self-quarantine due to COVID-19 concerns.
- The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of COVID-19.
- The individual has become the breadwinner or major support for a household because the head of household has died as a direct result of COVID-19.
- The individual must quit their job as a direct result of COVID-19; or
- The individual's place of employment is closed as a direct result of COVID-19.*

Federal Student Loan

There will be an automatic 6-month suspension of federal student loan payments and interest.

Closing Observations

Many of the provisions of the Act have retroactive application and may require filing of applicable forms to amend previously filed tax returns. In applying the provisions to specific situations, state and local tax considerations must be taken into account. Various state and local tax rules may or may not conform to the Internal Revenue code or may opt in or out of certain provisions. You should check with your CPA for specifics for your state.

We hope you are all staying healthy and well. Our thoughts are with all who are presently impacted by the coronavirus, and the health care professionals working hard to care for them. We will continue to update you on changes and other news in the coming weeks. Look out also for new events which we plan to launch through online and remote video channels!

Thank you again for being a valuable client and part of our FIP community.

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