

## 10 Things You Should Know About the Relief Package

The CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed into law by President Donald Trump on March 27, 2020. Here are 10 things you should know about this historic relief package.

**1. Supersize stimulus:** The \$2.2 trillion relief package is the largest in US history; it's more than twice as large as the \$831 billion relief package that was enacted during the financial crisis in February 2009. The relief package allocates 75% to companies, industries, and hospitals, and 25% to individuals below a certain income threshold. The largest amount, \$532 billion, is designated as loans to hard-hit industries such as the airlines, and to some hard-hit cities and states. (See chart on page 2)

**2. Checks are on the way!** Taxpayers who fall within the adjusted gross income (AGI) cut off limits in the table below will receive a one-time check of \$1,200 for individuals and \$2,400 for couples. They'll also receive an additional \$500 for each qualifying child under the age of 17. Those who pay their taxes electronically should receive an electronic payment by April 17, while those who mail in their taxes should receive a check by May 8. You can check your AGI by looking at line 8b of your most recently filed 1040 tax form. Payments will be made based on 2019 income (or 2018 income if you haven't yet filed your 2019 tax return).

Tax Filing Status	AGI Phase out Begins*	AGI Phase out Ends**
Single	\$75,000	\$99,000
Married Filing Jointly	\$150,000	\$198,000
Head of Household	\$112,500	\$136,500

\*Stimulus checks will be reduced by \$5 for every additional \$100 of income above this amount up to the amount at which the income phase out ends.

\*\*Taxpayers who earn this amount or more generally won't receive a stimulus check unless they have children; having children raises the AGI phase out limit.

**3. Beefed up unemployment benefits:** People who are eligible to collect unemployment in their state will get an extra \$600 a week in benefits for up to four months. This payment is more than 150% larger than the current \$385-a-week nationwide average.<sup>1</sup>

**4. Help for small businesses:** The relief package sets aside \$377 billion for loans and grants to small businesses through the Paycheck Protection Program. Small businesses with less than 500 employees, self-employed individuals, independent contractors, and sole proprietors are all eligible for loans, some of which become forgivable loans (i.e., they don't have to be paid back) if certain conditions are met. Certain companies with more than 500 employees also qualify. Qualified businesses can apply until June 30, 2020 through any lending institution that is approved to participate in the program through the US Small Business Administration.<sup>2</sup>

**5. Required minimum distributions (RMDs) suspended for 2020:** Retirees will be happy to hear that RMDs from 401(k)s, 403(b)s, and IRAs are waived for 2020. This will give retirees' account balances more time to recover before RMDs resume in 2021.

**6. Penalty waived for early retirement withdrawals:** The 10% tax penalty for distributions from a retirement plan prior to age 59½ will be waived for withdrawals up to \$100,000 in 2020 for people who are impacted by COVID-19 (e.g., sickness, layoff, furlough, reduced work hours, etc.). The income tax owed on such distributions can be paid over three years. Those distributions can be re-contributed to an eligible retirement plan within three years, and this contribution won't count toward the annual cap on contributions.

<sup>1</sup>Source: CNBC, "Unemployed Workers Could Get More Than 100% of Their Paycheck Under the Coronavirus Bill," 3/27/20.

<sup>2</sup>Source: US Senate Committee on Small Business & Entrepreneurship, Paycheck Protection Program Q&A, 3/20.

# Client Conversations

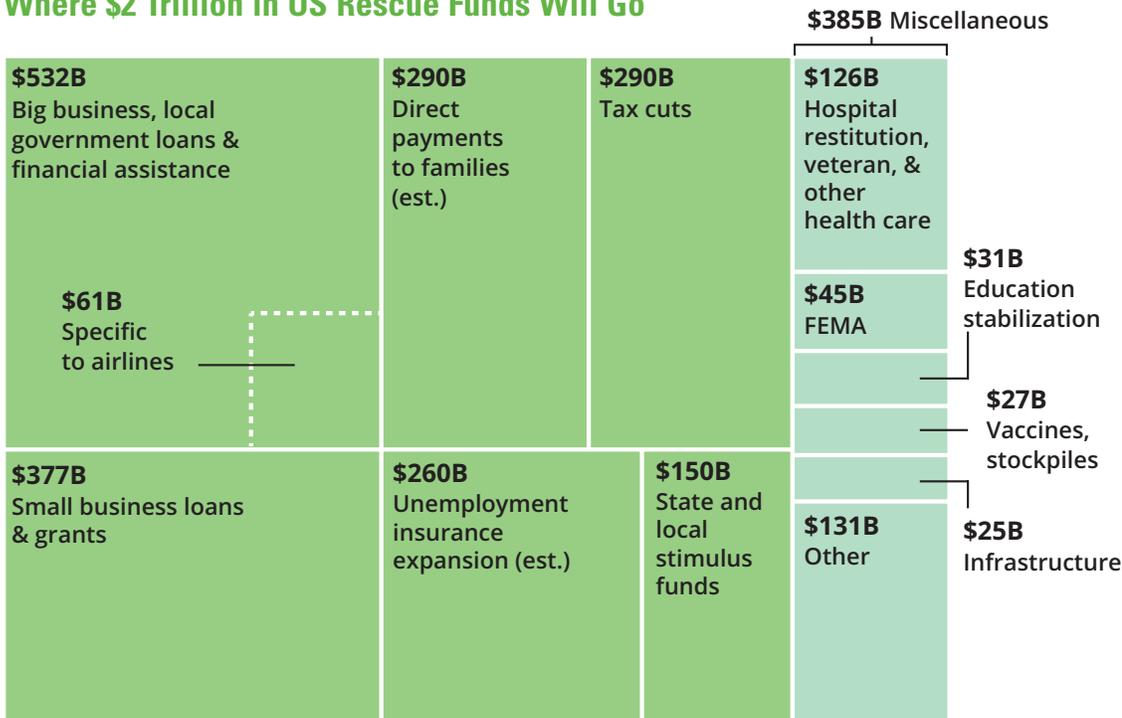
**7. Expanded access to loans from qualified plans:** Participants in qualified plans such as a 401(k) who are impacted by COVID-19 may borrow 100% of their vested account balances, up to a maximum of \$100,000, until September 23, 2020. In addition, participants who have existing loans will be allowed to delay their loan repayments by up to one year.

**8. Social Security payroll tax payments delayed for employers:** Employers and those who are self-employed can delay the payment of the *employer* portion of the Social Security payroll tax for the remainder of 2020 and pay back the amount owed over the next two years (2021 & 2022).

**9. Deadline extended for Real ID:** The original deadline to get a Real ID for airline travel and access to government buildings was October 1, 2020. The deadline has been pushed back to October 1, 2021, which gives people an additional year to find their social security cards, birth certificates, and other documents needed to get the Real ID.

**10. Deadline extended for 2019 federal taxes and IRA contributions:** Although this wasn't part of the CARES Act, it happened shortly before the bill was enacted and is a significant development. The deadline for filing 2019 federal taxes and submitting tax payments, as well as the deadline for making 2019 IRA contributions, has been extended to July 15, 2020. Some states have also pushed back their tax filing deadlines to July 15, but some states haven't yet done so; be sure to check your state's tax filing deadline to ensure timely filing.

## Where \$2 Trillion in US Rescue Funds Will Go



Sources: Bloomberg, US Senate, and Committee for a Responsible Federal Budget

**To learn more about how the historic relief package may impact you, talk to your financial advisor or tax adviser.**

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