



**CLIENT ALERT
NOTIFICATION**

This 'Client Alert' is for informational purposes only and is not offered, or should be construed, as legal advice.

CARES Act: Important Tax Code Changes

March 30, 2020

The following is a high-level summary of the pertinent tax changes to the Internal Revenue Code (the "Code") contained in the Coronavirus Aid, Relief, and Economic Security Act or the "CARES Act" (H.R. 748) (the "Act"), which was signed into law by President Donald J. Trump on March 27, 2020 (the "Act Passage Date"). Please note that this is being distributed as a reference for your convenience. It is for general informational purposes only. This summary is not (and is not intended to be) complete, omits various details and other pertinent information, and is qualified in its entirety by reference to the complete text of the Act.

For additional COVID-19-related business information, we invite you to visit our [COVID-19: Legal Insights](#) page.

Title	Description	Comments
Subtitle B of the Act – Rebates and Other Individual Provisions		
Recovery Rebates for Individuals <i>(New Code § 6428)</i>	<p>\$1,200 Credit for Eligible Individuals (\$2,400 for married filing jointly ("MFJ")) plus \$500 per qualifying children.</p> <p>Credit on 2020 return.</p> <p>Credit is reduced by 5% of taxpayers adjusted gross income ("AGI") that exceeds:</p> <ul style="list-style-type: none"> \$150,000 for MFJ; \$112,500 for head of household; and \$75,000 for anybody else. <p>Eligible Individuals means any individual other than an NRA, an individual for whom an exemption is claimed on another person's tax return, or an estate or trust.</p>	<p>The tax credit is phased out completely at the following AGI levels for persons with no qualifying children:</p> <ul style="list-style-type: none"> MFJ: \$198,000; Head of household: \$136,500; and Everyone else: \$99,000. <p>For example, a married couple filing jointly with two qualifying children, their tax credit would phase out at AGI of \$236,000.</p> <p>This credit can be applied to 2019 tax obligations for an advance refund.</p>
Special Rules for Use of Retirement Funds – Tax-Favored Withdrawals from Retirement Plans <i>(Code § 72(t))</i>	<p>The 10% penalty for early withdrawals shall not apply to any coronavirus-related distribution (not to exceed \$100k) from a retirement plan during calendar year 2020 by an Eligible Individual.</p> <p>Distributions are taxable income. Taxpayer can elect to report ratably over 3 years. Taxpayer may repay within 3 years of the date of the first withdrawal.</p> <p>Eligible Individual means an individual (i) who is diagnosed with COVID-19, (ii) whose spouse or dependent is diagnosed with COVID-19, or (iii) who suffers adverse financial consequences due to fallout from COVID-19.</p> <p>Borrowing base for loans from retirement plans increased to lesser of \$100,000 or 100% present value of nonforfeitable accrued benefit.</p> <p>Due date for loans from retirements extended for 1 year where otherwise due after the Act Passage Date and before 12/31/20.</p>	<p>Given the amount of losses taxpayers are expected to sustain in 2020, combined with taxpayer friendly loss and deduction provisions provided by the Act (discussed below), it may be best to include 100% of the eligible distribution in income provided there are sufficient losses to offset (rather than include in income ratably over 3 years).</p>
Temporary Waiver of Required Minimum Distribution Rules for Certain Retirement Plans and Accounts <i>Code § 401(a)(9)</i>	<p>Required minimum distributions for calendar year 2020 shall not apply to:</p> <ul style="list-style-type: none"> A defined contribution plan; A defined contribution plan which is an eligible deferred compensation plan; and Individual retirement plan 	<p>Waiver applies without regard to whether taxpayer affected by COVID-19.</p>
Allowance of Partial Above the Line Deduction for Charitable Contributions <i>(Code § 62(a)(22))</i>	<p>Above the line deduction allowed for charitable contributions for taxable years beginning in 2020 in an amount not to exceed \$300.</p> <p>Only for eligible individuals, or individuals who do not elect to itemize deductions.</p>	

Title	Description	Comments
Subtitle C of the Act – Business Provisions		
Modifications of Limitations on Business Interest <i>(Code § 163(j))</i>	For taxable years beginning in 2019 and 2020, cap on business interest deduction increased to 50% of adjusted taxable income. Taxpayer can elect out. Taxpayer can elect to use 2019 adjusted taxable income for purposes of computing the 50% limitation (as opposed to 2020 adjusted taxable income).	Permits greater business interest deductions for taxpayers.
Technical Amendments Regarding Qualified Improvement Property <i>(Code § 168)</i>	Qualified improvement property is now 15-year property. Qualified improvement property is any improvement to an interior portion of an already existing nonresidential building.	This fixes the “retail glitch” in the TCJA that eliminated qualified improvement property from being eligible 100% deductibility.
Temporary Exception from Excise Tax for Alcohol Used to Produce Hand Sanitizer <i>(Code § 5214(a))</i>	Exemption on excise tax for alcohol ultimately used for the production of hand sanitizer for calendar years 2020 and 2021.	

The COVID-19 pandemic is creating rapidly changing issues for businesses, and government aid processes and measures designed to assist businesses may also change materially from when this Client Alert is issued. We therefore encourage you to monitor our website, review our future Client Alerts and generally remain alert for additional updates or modifications to laws and regulations.

Please contact the Berger Singerman Crisis Response Team at alert@bergersingerman.com should you need any assistance navigating this new and complex business landscape.