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# The CARES Act Has Passed: Here Are The Highlights



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Retirement

*I am passionate about pensions, recessions, IRAs and retirement.*



Capitol Hill has come together to create the CARES Act designed to stimulate our economy and provide ... [\[+\]](#) AFP VIA GETTY IMAGES

At times, our nation can appear sharply divided; divided by generations, by left and right, by our differences, and even by the donkey and the elephant. Sometimes, circumstances arise that compel us to either rise as one or be shattered. We are facing unprecedented times and the emergence of a new, abnormal, normal. Children are out of school, businesses are closed, and we are strongly advised to protect ourselves by remaining isolated in our homes.

In the midst of this, heroes have emerged, medical personnel who are on the front-lines of a pandemic, doing whatever they can to heal the sick and preserve lives, police and firefighters, rushing in to help when everyone else is rushing away, and teachers who look for creative ways to continue to invest in children. Today, we can look to our elected representatives with admiration. The two parties came together, and after only a smidgen of negotiating, passed the \$2 trillion coronavirus economic stimulus bill. As anticipated, President Donald Trump signed it into law on Friday, March 27, 2020.

This legislation is aimed at providing relief for individuals and businesses that have been negatively impacted by the coronavirus outbreak. While that is great news, in and of itself, here's a look at some of the key provisions included in the bill and what that may mean for you:

- **Direct payments:** Americans who pay taxes will receive a one-time direct deposit of up to \$1,200, and married couples will receive \$2,400, plus an additional \$500 per child. The payments will be available for incomes up to \$75,000 for individuals and \$150,000 for married couples.
- **Unemployment:** The program provides \$250 billion for an extended unemployment insurance program and expands eligibility and offers workers an additional \$600 per week for four months, on top of what state programs pay. It also extends UI benefits through Dec. 31 for eligible workers. The deal applies to the self-employed, independent contractors and [gig economy workers](#).
- **Payroll taxes:** The measure allows employers to delay the payment of their portion of 2020 payroll taxes until 2021 and 2022.
- **Use of retirement funds:** The bill waives the 10% early withdrawal penalty for distributions up to \$100,000 for coronavirus-related purposes, retroactive to Jan. 1. Withdrawals are still taxed,

but taxes are spread over three years, or the taxpayer has the three-year period to roll it back over.

- **401(k) Loans:** The loan limit is increased from \$50,000 to \$100,000
- **RMDs suspended:** Required Minimum Distributions from IRAs and 401(k) plans (at age 72) are suspended.
- **Charity.** There is a new provision that provides an above-the-line deduction for charitable contributions, plus, the limits on charitable contributions are changed.
- **Small business relief:** \$350 billion is being dedicated to preventing layoffs and business closures while workers have to stay home during the outbreak. Companies with 500 employees or fewer that maintain their payroll during coronavirus can receive up to 8 weeks of cash-flow assistance. If employers maintain payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven.
- **Net Operating Losses:** The Tax Cuts and Jobs Act (TCJA) net operating loss rules are modified. The 80% rule is lifted, and losses can now be carried back five years.
- **Excess Loss Limitations:** The excess loss limitation (ELL) rules for pass-through entities are suspended.
- **Interest Expense Limitation:** The interest expense limitations are increased to 50% from 30% for tax years beginning in 2019 or 2020. Taxpayers can also elect to calculate the interest limitation for 2020 using their 2019 adjusted taxable income as the relevant base, which often will be significantly higher.
- **Large corporations:** \$500 billion will be allotted to provide loans, loan guarantees, and other investments, these will be overseen by a

Treasury Department inspector general. These loans will not exceed five years and cannot be forgiven. Airlines will receive \$50 billion (of the \$500 billion) for passenger air carriers, and \$8 billion for cargo air carriers.

- **Hospitals and health care:** The deal provides over \$140 billion in appropriations to support the U.S. health system, \$100 billion of which will be injected directly into hospitals. The rest will be dedicated to providing personal and protective equipment for health care workers, testing supplies, increased workforce and training, accelerated Medicare payments, and supporting the CDC, among other health investments.
- **Coronavirus testing:** All testing and potential vaccines for COVID-19 will be covered at no cost to patients.
- **States and local governments:** State, local and tribal [governments](#) will receive \$150 billion. \$30 billion is set aside for states, and educational institutions. \$45 billion is for disaster relief, and \$25 billion for transit programs.
- **Agriculture:** The deal would increase the amount the Agriculture Department can spend on its bailout program from \$30 billion to \$50 billion.

For more information, you can see the full Bill, [here](#).

It's good to see Americans caring for Americans, and we're all hoping that these, and the other measures contained in the stimulus bill will do what they're designed to do: help individuals and businesses survive during, and recover from, the coronavirus pandemic. If you have questions, you can email me at [llabrecque@sequoia-financial.com](mailto:llabrecque@sequoia-financial.com). Stay safe, we're all in this together.

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