

# CARES Act of 2020: Individual provisions

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, providing emergency assistance to individuals, families, and businesses affected by the COVID-19 emergency. The relief includes checks (“recovery rebates”) to millions of Americans, expanded loans from the Small Business Administration that can be forgiven, payroll tax relief for businesses, and special relief for those withdrawing retirement savings to deal with immediate cash needs as a result of the crisis. For coverage of the business provisions of the CARES Act, see [CARES Act: Business Provisions](#). We will continue to provide additional information and analysis as new legislation is passed.

## Recovery rebates for individuals

In one of the most widely publicized features of the CARES Act, the Treasury Department is required to issue checks (or direct deposits) to eligible individuals “as rapidly as possible” for an advance rebate. The rebate is treated as a refundable tax credit in 2020; therefore, it is not taxable income.

The amount of the credit is \$1,200 per eligible individual (\$2,400 in the case of eligible individuals filing a joint return), plus \$500 for each qualifying child (generally children under age 17). However, the credit is phased out by 5% of adjusted gross income above the following thresholds: \$75,000 (single), \$112,500 (head of household), or \$150,000 (married filing jointly).

The level at which the credit is fully phased out depends on the number of qualifying children. For individuals with no qualifying children, the credit is fully phased out at \$99,000 (single), \$136,500 (head of household), or \$198,000 (married filing jointly).

**Example:** Donna’s filing status is head of household, with one child. Her adjusted gross income for 2019 was \$100,000. The amount of her credit (\$1,700) is reduced by 5% of \$25,000 ( $\$100,000 - \$75,000 = \$25,000$ ), or \$1,250. Therefore, her credit is \$450.

Income is determined by the individual’s 2019 tax return, if filed, or if not, the 2018 return. “Eligible individual” means any individual other than (a) a nonresident alien, (b) one who can be claimed as a dependent by another taxpayer, or (c) an estate or trust. No refunds or credits will be made under this provision after December 31, 2020. **Act Sec. 2201**

## Tax-favored retirement distributions

The Act allows certain individuals to withdraw up to \$100,000 in 2020 for “coronavirus-related distributions” from an “eligible retirement plan,” (which includes qualified plans and non-Roth IRAs) without a 10% early distribution penalty, and with the ability to spread income taxation over three years.

In addition, to provide flexibility, if the withdrawal is repaid within three years of distribution, the initial distribution is treated as a 60-day rollover, or in the case of IRAs, as a 60-day trustee-to-trustee transfer. This repayment can be made in one or more contributions, up to the aggregate amount withdrawn. Moreover, although amounts not repaid are subject to taxation, taxpayers can elect to include the distributions ratably over three years.

The repayment does not have to be made to the same plan from which the withdrawal was taken; it can be made to any plan eligible to receive rollovers from the type of plan the withdrawal came from. The repayment can be made at any time during the three-year period beginning with the date of the distribution.

A “coronavirus-related distribution” is defined as one made in 2020 to a “qualified individual,” which is an individual (a) who is diagnosed with SARS-CoV-2 or COVID-19, (b) whose spouse or dependent is diagnosed with it, or (c) who experiences adverse financial consequences as a result of being quarantined, furloughed, or laid off, or having work hours reduced due to the virus or disease.

An “eligible retirement plan” means an IRA (Individual Retirement Account or Individual Retirement Annuity), qualified retirement plan (including 401(k) plans), governmental Section 457(b) plans, and 403(a) and 403(b) annuities. A Roth IRA is not an eligible retirement plan, but as always, Roth IRA withdrawals come first from contributions, which are not subject to tax or penalties. **Act Sec. 2202**

### Qualified plan loan restrictions loosened

Generally, loans from qualified plans are subject to stringent requirements, including an aggregate dollar limit of \$50,000 and a five-year payback period. The Act expands the current \$50,000 limit to \$100,000, for loans made between March 27, 2020, and September 27, 2020, to a “qualified individual” (as defined for purposes of coronavirus-related distributions, above). In addition, any portion of the repayment due from March 27, 2020, to December 31, 2020, can be delayed for one year, and that year will be disregarded in determining the five-year repayment period. **Act Sec. 2202**

### Required minimum distribution (RMD) delay

The Act suspends all minimum distribution requirements of Section 401(a)(9) for calendar year 2020 for IRAs, most qualified plans, 403(a) and 403(b) annuities, and governmental 457(b) plans. (RMDs are not suspended for defined benefit plans or nongovernmental 457(b) plans.) This broad suspension applies to any lifetime or after-death distributions from such plans due in 2020, including those for 2019 that were delayed to April 1. For after-death distributions subject to the five-year rule, the CARES Act allows 2020 to be ignored.

The Act also makes distributions in 2020 that would have been ineligible for rollover because of the RMD rules, eligible for rollover. **Act Sec. 2203**

### Expanded charitable contributions

To encourage charitable giving, the Act creates an above-the-line deduction in 2020 of up to \$300 for cash charitable gifts by individuals, even if they do not itemize. The gift must be made to public charities, such as churches, schools, and hospitals, or to certain private foundations (but not to a donor advised fund). Carryover amounts from previous years are not eligible for this provision. The Act also increases the percentage limitation for cash contributions to public charities in 2020, from 60% to 100%. As a practical matter, this would affect only individuals who itemize. **Act Secs. 2204-2205**

### Enhanced unemployment insurance coverage

The Act creates a new category of unemployment insurance called Pandemic Unemployment Assistance (PUA) to cover workers who would not ordinarily qualify for unemployment, such as part-time employees,

gig workers, and other self-employed individuals. The assistance is available to those who are unable to work (or telework) as a result of the emergency.

The Act also expands regular unemployment insurance in several ways: It includes a \$600 increase in the weekly unemployment benefit (this applies to PUA as well), a waiver of the waiting period for coverage, and an extension of 13 weeks of benefits for individuals who have exhausted their benefits. **Act Secs. 2102-2216**

## Bankruptcy relief

The Act provides relief for individuals in Chapter 13 bankruptcy plans by permitting modifications for debtors who have experienced a material financial hardship caused directly or indirectly by the COVID-19 emergency. This amendment applies regardless of the date the bankruptcy was filed, and it applies to payments up to seven years from the due date of the first payment under the plan. **Act Sec. 1113**

## Moratorium on evictions and foreclosures

The Act includes relief from foreclosure for homeowners with Federally insured or guaranteed mortgages, and those backed by Fannie Mae or Freddie Mac. Borrowers experiencing a financial hardship directly or indirectly caused by the COVID-19 emergency can request forbearance on payments for up to six months without fees, penalties, or extra interest.

Forbearance is also available for borrowers with Federally backed loans on multifamily property who are experiencing such a hardship; however, renter protections apply if a multifamily property borrower receives a forbearance. The borrower may not evict a tenant for nonpayment of rent during the forbearance period, nor impose late fees for late payment of rent or issue a notice of eviction. This protection applies for the duration of the national emergency or December 31, 2020, whichever is earlier. Similar protections apply to renters in properties such as public housing, Section 8 assistance, and others receiving federal subsidies. **Act Sec. 4022-4024**

## Federal student loan flexibility

The Act includes relief for college students who withdraw from school during the semester (or other enrollment period) as a result of the COVID-19 emergency. The students will not be required to return unused Pell Grants or Federal student loan funds, and the institution will not be required to return its portion of loan or grant assistance. Student debt for the semester (or other enrollment period) of the emergency will be canceled if the student withdrew because of the emergency.

Additionally, payments for student loans are deferred until September 30, 2020, with no interest accruing. Any payments not made will not be deemed as missed or late. Teachers who are seeking Teacher Loan Forgiveness or completing TEACH Grant obligations and cannot complete the school year due to the emergency will get credit for a full year of service for grants or loan forgiveness, and it will be treated as continuous service for teaching service for Teacher Loan Forgiveness. **Act Secs. 3508, 3513, 3519**

## Paid leave for rehired employees

Employees who were laid off after March 1, 2020, will have access to paid family and medical leave if they are rehired by the employer, so long as they worked for the employer at least 30 days prior to being laid off. **Act. Sec. 3605**

## Health care system

The health care section of the Act provides broad, unprecedented funding across the nation's health care system infrastructure to support the fight against COVID-19. Actions are mandated to address shortages

of supplies, medical supplies, and drugs, to prioritize reviews of drugs, and to cover COVID-19 testing and vaccine development. The Act also authorizes the development and promotion of nutrition programs, telehealth technologies and services, and health care workforce development. **Title III**

## Coronavirus Relief Fund

The Act creates a Coronavirus Relief Fund, with an appropriation of \$150 billion to achieve the health care and other directives of the Act, across a wide range of Federal agencies, the states, and Tribal governments. **Act Sec. 5001**

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