



CARES Act Individual & Small Business Actionable Steps to take Now April 2, 2020

On Friday, March 27, 2020, the President signed into law a \$2.2 trillion dollar stimulus package known as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) designed to provide economic relief to American citizens and companies impacted by the Coronavirus and to help keep the U.S. economy on solid footing while we navigate this uncharted national health emergency. This alert will cover some brief highlights focused squarely on certain individual and small business loan provisions that may directly impact you, your family and friends and may require immediate action. You may also be interested in *Stimulus To the Rescue-CARES Act Individual Highlights*, an article explaining in more detail some of the provisions that impact individuals. The final bill for your leisurely reading can be accessed at <https://www.congress.gov/bill/116th-congress/house-bill/748/text>.

What you need to know. The CARES Act covers American families &, small business, large business, national security interests, and specialized industries. Many of the provisions are designed to provide immediate monetary relief, while others come in the way of tax relief and expanded health or other benefits.

What you need to do. Details on process and execution of benefits are being worked out daily but time is of the essence for certain tax and loan benefits.

Small businesses including independent contractors, self-employed individuals, nonprofits, veteran organizations, and tribal concerns who need monetary assistance:

- Contact SBA-certified lenders immediately for eligibility and to start the loan application process and “get in line” for obtaining the SBA forgiveness loans (aka the Paycheck Protection Program or PPP loans). Treasury will begin accepting applications on April 3rd. See US Dept of Treasury website for more details including an overview of the program and other forms at: <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses> .
- Apply for SBA 7(a) disaster loans and/or EIDL grants at: <https://covid19relief.sba.gov/#/> . These are separate from the PPP loans mentioned above.

Individuals subject to the RMD (required minimum distribution) rules – Contact your financial advisor immediately if you want to suspend any distribution instructions you have scheduled for 2020.

All Individuals and businesses - Consult your tax advisor as soon as possible to get further details on 2019 federal and state tax filings and payments due in 2020 to determine if any further action is required by 4/15/2020 and to understand how you can avail yourself of any new benefits available for 2020 under the CARES Act.



Other brief highlights/additional information for individuals & small business

Income tax deadlines

U.S. Federal Income tax returns and tax payments due April 15th ONLY have been postponed to July 15th. No extensions are needed if you file by July 15. You do not need to be sick or quarantined or have any other impact for this postponement to apply. If you are expecting a refund, you are encouraged to file as soon as possible. If you have already filed your 2019 tax return and have scheduled a payment for April 15, these will not be automatically rescheduled to July 15. Consult with your tax advisor if you want to reschedule this payment.

Second quarter estimated tax payments for 2020 are still due by June 15th.

CT and NY have conformed to federal in postponing filing and tax deadlines to July 15th. However, each state has its own provisions so consult with your tax advisor to see if you need to file any state returns or extensions by April 15th.

Recovery rebates (aka economic impact payments by IRS) for individuals

Economic impact payments for individuals subject to adjusted gross income limits for up to \$1,200 per individual/HH, \$2,400 for MFJ, and \$500 for each qualifying child. AGI limits are \$150,000 for MFJ, \$112,500 for HH, and \$75,000 for individual filers. The payment will be reduced (but not below zero) by 5% of AGI exceeding these thresholds.

Distribution of economic impact payments will be made automatically by the IRS and are expected to begin in the next three weeks with no action required for most people. Amounts will be based on your 2019 tax returns if already filed. Otherwise, the amount will be based on your 2018 tax returns. As of the date of this article, according to the IRS Coronavirus Resource Center, "Social Security beneficiaries who are not typically required to file tax returns will not need to file to receive a payment. Instead, payments will be automatically deposited into their bank accounts. However, some people who typically do not file returns will need to submit a simple tax return to receive the stimulus payment".

The IRS is working on setting up portals so individuals may enter bank account information to receive deposits vs the mail. Further updates will be posted on the IRS Coronavirus Resource Center at <https://www.irs.gov/coronavirus>. Once available, we strongly suggest registering on the portal for direct deposit into an account that holds a minimal balance to reduce the potential for theft or fraud.

Retirement plans

RMD (Required Minimum Distributions) for 2020 have been suspended. If you have scheduled any distribution plans, notify your financial advisor immediately if you want to stop these distributions.

Small Business Loan/Grant Provisions

Small businesses with less than 500 employees (this is per location for a business assigned NAICS code beginning with 72 at time of disbursement) including independent contractors and self-employed individuals, nonprofits, veteran organizations, and tribal concerns are eligible for financial relief through a combination of forgivable small business loans, FICA tax credits & deferrals, and income tax relief. While there are a litany of business relief provisions and we will be sending more out about these in the future,



we outline below the availability of three different types of loans to help sustain businesses during this difficult time:

Payroll Protection Program (PPP) loans-Effectively, the CARES Act provides a triple play loan provision that can provide economic and tax benefits so long as the the program guidelines are adhered to.

This loan is an SBA guaranteed nonrecourse loan subject to cap limitations with no personal guarantee or collateral required. Loans will be forgiven to the extent used for authorized expenses during the eight weeks after the loan is originated. Authorized expenses include payroll costs, group healthcare benefits, employees' wages/salaries/commissions, interest on mortgage obligations or any debt incurred before the covered period, rent, and utilities. Loans forgiven will not be included in income but deductions for authorized expenses will be permitted. A good faith certification is required stating that the current uncertainty makes loan necessary to support ongoing operations and maintain payroll or make mortgage, lease or utility payments.

These loans will be administered by banks and other financial institutions. If you ultimately take advantage of this provision, although not required, consider maintaining a separate account to track the funds to substantiate forgiveness eligibility. You should also pay careful attention to loan documentation to ensure it adheres to the SBA guidelines for loan forgiveness qualifications.

SBA direct loans/grants- The SBA has created a streamlined applications process for the below two loans/grants at: <https://covid19relief.sba.gov/#/> .

- *SBA (7(a) loan program (disaster loans)* – This is an existing SBA program that is available since the entire country has been declared a disaster area. These loans ae separate from the Payroll Protection Program loans.
- *SBA Emergency EIDL (economic injury disaster loan) Grants* - Grants are available for up to \$10,000 for authorized expenses and does not need to be repaid. Funds for this grants are intended to be provided quickly. Payroll protection loan forgiveness will be reduced by any Emergency Grants received.

Student Loans

Federally-held student loans including PLUS loanspayments will be temporarily suspended through Sept. 30, 2020 and interest won't accrue during this period. Note that this relief does not apply to private student loansPayments suspended during this period are to be treated by consumer reporting agencies as if it were a regularly scheduled payment by the borrower. Borrowers for whom collections have been suspended will be notified and given an option to continue making payments toward principal during the suspension period. If you do not receive notification, we suggest you contact your lender to confirm your loan status prior to payment dues dates.



This alert amongst other relevant financial planning articles and checklists (including planning for legacy & wealth transfer, retirement, risk management, taxes, education, and special situations) can be found on the Financial Planning Corner at www.rdmfinancial.com. As always, feel free to forward along to friends, family members, and colleagues.

Warm Regards,

RDM Financial Planning Team

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