

STRAUSS TAX SERVICE
624 62ND STREET
DOWNERS GROVE, IL 60516
(630) 964 - 4018
judi@strausstax.com

TAX ALERT- PLEASE READ NOW!

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) just passed by Congress provides payments to individual taxpayers (subject to income limits) a credit of \$1200 per individual (\$2400 for married couples filing a joint return) plus \$500 for each qualifying child who is under age 17. In other words, a married couple with 2 children under 17 years old on December 31, 2019 with AGI under \$150,000 will receive a payment of \$3400. A married couple with no qualifying children with AGI below the threshold will receive \$2400.

The payment is reduced by 5% of the taxpayers Adjusted Gross Income is excess of \$75,000 (\$150,000 for joint filers). The payment will phase out when income reaches \$99,000 for single filers and \$198,000 for joint filers.

Eligible taxpayers include everyone except:

- Any taxpayer who does not have a Social Security number
- Taxpayers who qualify as a dependent of another taxpayer
- Estate or Trust

Individuals who have NO income as well as those whose income comes entirely from nontaxable sources such as Social Security also qualify for the advance payment.

The eligibility for the payment is based on the taxpayers 2019 tax return, or if the taxpayer has not filed a 2019 return, eligibility is based on the 2018 return. If no tax returns were filed in 2018 or 2019, information from their 2019 Social Security or Railroad retirement statement will be used. If a person didn't file a 2018 and 2019 return and are not receiving SSA or RRB benefits, the chances are they will not receive a stimulus payment. However, since this is a prepayment of a tax credit, people who do not receive stimulus payments will be able to claim the credit on their 2020 return when they file it in 2021. For these individuals to get the payment now, they should file a 2019 return quickly. If the return is processed before the IRS starts processing payments, tentatively scheduled for "as rapidly as possible", they should receive their funds.

The IRS is planning to make electronic payments to people who asked for 2019 or 2018 refunds to be directly deposited into their bank accounts. If the deposit is rejected, the IRS will receive a rejection.

Americans with the lowest income will get mailed checks first, the [Washington Post](#) reported. Here's the timetable for the first checks, per IRS documents seen by the Post:

- Taxpayers with income up to \$10,000: April 24
- Taxpayers with income up to \$20,000: May 1

- Taxpayers with income up to \$40,000: May 15

The rest of the checks will be issued by gradually increasing income increments each week. Households earning \$198,000, who file jointly, will get their reduced checks on Sept. 4.

There is a temporary waiver of Required Minimum Distributions (RMDs). RMDs required to be made or that begin in 2020 are waived. Calendar year 2020 is disregarded for distributions being made under the 5-year rule. Please wait until after April 15th and do not take them out - we can refigure your ES payments (which have been extended as has ALL filing deadlines to July 15) once there is somewhat of a breathing space.

There are penalty free retirement distributions (no 10% penalty) in tax year 2020 for certain taxpayers under age 59 ½, including:

- Those diagnosed for COVID-19 by an approved test by the Center for Disease Control
- The spouse of dependent of such a person above
- Persons who experience adverse financial consequences as a result of being quarantined., furloughed or laid off or having to work reduced hours due to such virus or disease, closing or reducing hours of a business owned or operated by that individual due to such virus or disease (probably most of us!).

Loans can also be made from qualified plans – made within 180 days beginning on the day of enactment will not be treated as a distribution if the amount distributed does not exceed \$100,000.

A Charitable contribution not in excess of \$300 made in taxable year 2020 is allowed by taxpayers who do not itemize. It must be made to a qualified charitable organization or a new or existing donor advised fund.

We continue to work diligently to complete those tax returns for clients who are dropping off and who are receiving refunds - because we want to make sure those are getting done. WE appreciate your patience and will work to answer all questions and phone calls/emails in a timely manner. We are concerned about you and your families as well as ours- and we will be here for you through this uncertain time for all of us.

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