

TO: Client and Contacts
FROM: Keith C. Durkin
DATE: March 26, 2020
SUBJECT: **Individual Tax Relief**

Last night, the Senate approved legislation known as the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which is designed to provide much needed economic relief to individuals and businesses devastated by COVID-19. This bulletin summarizes the individual tax relief provisions.

2020 Recovery Rebates for Individuals.

The Act provides for recovery rebate checks of up to \$1,200 for most U.S. resident individuals, providing cash immediately to individuals and families. Married individuals who file a joint return are eligible for a rebate check of up to \$2,400. The rebate amounts increase by \$500 for each child under age 17. No rebate check will be made to anyone who is claimed as a dependent on another taxpayer’s federal income tax return. The rebate check, which will be delivered via direct deposit when possible, acts as an advance payment of a refundable tax credit on the taxpayer’s 2020 federal income tax return.

The rebate amounts are reduced for higher income taxpayers and begin phasing out for taxpayers once adjusted gross income exceeds \$75,000 (the phase-out threshold is \$112,500 for heads of households and \$150,000 for joint filers). For these higher income taxpayers, the rebate amount is reduced by 5% of so much of the taxpayer’s adjusted gross income as exceeds the phase-out thresholds and will completely phase-out when adjusted gross income exceeds \$99,000 for single filers (with no children), \$146,500 for heads of households with one child and \$198,000 for joint filers with no children.

The IRS will use the information on the taxpayer’s 2019 federal income tax return to determine rebate amounts and if no 2019 tax return has been filed at the time of determination, the

information will be based on the 2018 federal income tax return. If no 2018 federal income tax return has been filed, the information on the taxpayer's Form SSA-1099, *Social Security Benefit Statement* or Form RRB-1099, *Social Security Equivalent Benefit Statement* for 2019 will be used.

The Act requires the Department of the Treasury to coordinate with the Social Security Administration and other relevant Federal agencies to conduct a public awareness campaign regarding the availability of the rebates, including information with respect to individuals who may not have filed a federal income tax return for 2018 or 2019.

Allowance of Partial Above the Line Deduction for Charitable Contributions.

To encourage Americans to contribute to charitable organizations in 2020, individuals will be permitted to deduct up to \$300 of charitable contributions of cash "above the line" on their 2020 federal income tax returns," *i.e.*, whether or not individuals itemize their deductions. This "above the line" allowance will not apply to cash contributions to supporting organizations or donor advised funds.

Modification of Limitations on Charitable Contributions During 2020.

The Act increases the limitations on deductions for charitable contributions of cash in 2020 by individuals who itemize, as well as corporations. For individuals, the 60% of adjusted gross income limitation for cash contributions is temporarily suspended for 2020. An individual may still be subject to a limitation to the extent an individual's cash contributions exceed the excess of adjusted gross income over the amount of all other charitable contributions. Any excess cash contributions in such case will be carried over. For corporations, the 10% limitation is increased to 25% of taxable income for cash contributions in 2020. Any excess corporate cash contributions will be carried over. These increased deduction limitations will not apply to cash contributions to supporting organizations or donor advised funds. The Act also increases the limitation on deductions for charitable contributions of food inventory in 2020 from 15% to 25%.