



\$2.2 Trillion Stimulus Plan Highlights For Individuals & Small Businesses

The passage of the \$2.2 trillion stimulus plan, known as the Coronavirus Aid, Relief and Economic Security Act (Cares Act), provides critical funds to various sectors of the economy in the form of payments, tax breaks, loans, and subsidies to individuals and small businesses nationwide.

As the largest economic relief package in U.S. history, the \$2.2 trillion stimulus plan equates to 9% of GDP, which is roughly \$21 trillion. The primary goal of the stimulus program is to alleviate personal and business bankruptcies brought about by government mandated shutdowns and restrictions.

Stimulus Payments

\$1,200 for each eligible taxpayer earning up to \$75,000. Joint filers will receive \$2,400 earning up to \$150,000, based on 2019 tax returns or 2018 if not already filed. Stimulus payment amounts decline as income levels rise. For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible. Social Security recipients who are otherwise not required to file a tax return are also eligible and will not be required to file a return

Unemployment

An additional \$600 per week for four months for unemployment, in addition to any state unemployment benefit.

Retirement Plan Withdrawals

Withdrawals from IRAs and company sponsored retirement plans such as 401k plans will not be imposed the 10% penalty up to \$100,000 in distributions. The waiver applies to those who have been diagnosed with COVID-19 or have experienced financial hardship related to the virus through December 31, 2020. Distributions will still be taxable as income, but be spread out over three years.



401k Loans

The maximum 401k loan amount of \$50,000 has been raised to \$100,000 to accommodate larger loan needs. Loan limitations are based on 50% of a 401k account balance.

RMDs

Required Minimum Distributions (RMDs) on retirement accounts including IRAs have been waived for tax year 2020.

Mortgage Forbearance

Federally backed mortgage holders can forgo payments for six months under a forbearance program with no penalties or fees. A mortgage holder must be affected by COVID-19 and have approval from the lender.

Forecloses

All foreclosure proceedings are halted until May 18, 2020

Student Loans

All federally-owned student loans will impose a 0% interest rate until September 30, 2020. Borrowers may also delay payments until September 30, 2020 via forbearance.

Paycheck Protection Program For Small Businesses

Lends up to \$10 million to small businesses with fewer than 500 employees through the SBA. The allowable loan amount is calculated based on a company's average monthly payroll. The loan may be considered a grant since loans are expected to be forgiven if the funds are used for expenses such as payroll, mortgage interest payments, rent, and utilities.

Sources: IRS; irs.gov/newsroom/economic-impact-payments, TaxPolicyCenter