

## Tax Notes

# Filing Deadlines, Tax Provision Changes and Opportunities Affecting Individuals

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Recent IRS notices and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) contain many provisions related to taxation of individuals. This article addresses some of these recent rulings that will impact individual taxpayers for 2019 and for 2020.

### Filing and Payment Deadlines

All federal individual, trust, estate income and gift tax returns and payments due April 15, 2020 for 2019 are now due July 15, 2020. If you pay your federal balance due by July 15, 2020, no late payment penalties or interest will be assessed. **But watch out for your particular state.** A state you file in may have not yet changed their own filing deadline to agree with the revised federal deadline.

IRA contributions for 2019 can now be made by July 15, 2020.

If you have an estimated tax payment due for the 2<sup>nd</sup> Quarter of 2020 that payment is still due June 15<sup>th</sup>.

**Note:** This relief does not apply to the estimated tax penalty for 2019.

### Rebate Checks

**Advance rebate** checks will be sent to taxpayers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns. They would receive the full payment. For filers with income above those amounts, the payment amount is reduced. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.

Eligible taxpayers who filed tax returns for either 2019 or 2018 would automatically receive an advance rebate payment of up to \$1,200 for individuals or \$2,400 for married couples. In addition, parents would also receive \$500 for each qualifying child.

### Charitable Contributions

The adjusted gross income (AGI) limit on charitable contributions is removed for 2020 but not for contributions to a donor advised fund.

Charitable contributions up to \$300 can be claimed in 2020 without having to itemize.

### Self-Employed Individuals

Deferral of payment of the “**employer**” share (50%) of Social Security taxes due for 2020 can be paid in equal installments on December 31, 2021 and December 31, 2022.

Further details are forthcoming on all of these provisions.

### Retirement Plan Provisions included in the CARES Act

With the SECURE Act signed into law on December 20, 2019, for 2020 and forward, a retirement plan or IRA owner typically must begin taking required minimum distributions (RMDs) by April 1 of the year after the year the owner attains the age of 72 (changed from age 70.5).

The CARES Act stipulates the following retirement plan provisions:

- Waives the required minimum distribution for the year 2020 for defined contribution plans [403(a), 403(b), 457(b)] and IRAs]
- In addition, anyone who deferred their distribution in 2019 to 2020 based on the required beginning date, does not have to take that distribution in 2020.
- No additional 10% tax will be assessed for premature distributions (those taken before age 59½ ) taken for coronavirus-related reasons during 2020 for an amount up to \$100,000.
  - Unless the individual elects not to, the coronavirus related distributions can be included in gross income over a three-year period beginning with 2020.
  - Coronavirus-related distributions can be contributed back to the plan within the three-year period beginning on the day after the date the distribution was received and will be treated as a tax-free rollover.
- Allows for increased flexibility in loans from defined contribution plans.
  - Qualified employer plans allowing loans to the plan participants can now make loans for up to \$100,000 instead of \$50,000 to qualified individuals (those directly impacted either health-wise or economically by the coronavirus).
  - For loans outstanding on or after March 27, 2020, if the due date of any repayment for such loan occurs between March 27, 2020 and December 31, 2020, such due date shall be delayed for one year (thus extending the current loan repayment period from five to six years).

### ROTH Conversion Planning Opportunity

Currently, there is a lot of fear and uncertainty with many aspects of our lives. Our physical health being the primary one and our economic health being a close second. The economy that was roaring for the past few years has come to a screeching halt. Many businesses are partially or completely shut down, people are unemployed and the stock market has plunged. However, in a year with lower retirement account balances and lower income, there may be an opportunity to reduce your taxes in retirement. One way to take advantage of this opportunity is Roth IRA Conversions.

Traditional IRAs are generally funded with pre-tax contributions which grow tax deferred until they are distributed at retirement. Roth IRAs are funded with post-tax contributions which grow tax deferred and are tax free when they are distributed. There is an ability to convert your traditional IRA to a Roth IRA; however, that conversion is a taxable event. The tax on converting from a traditional IRA to a Roth IRA is based on your tax rate and the amount of the IRA you convert to a Roth.

The recent plunge in the stock market has lowered many taxpayers' retirement accounts. This – coupled with the fact that 2020 taxable income is likely to be lower (including NOLs) for many taxpayers – converting to a Roth IRA would have a much lesser tax impact as it would under normal circumstances.

Roth IRAs generally are subject to the same rules as traditional IRAs but there are some differences. The differences are as follows:

- Roth contributions are not deductible;
- Roth contributions can be made after owner reaches 70.5;
- Roth distributions are not taxable;
- Roth distributions do not require minimum distributions; and
- Roth distributions are penalty free if made after owner turns 59.5 and has held the Roth for at least 5 years.

There are income limits as to who can contribute to a Roth IRA but those limits are not considered when converting from a traditional IRA.

## Contact Us

If you have any questions about the CARES Act and how it may affect you and/or your business, please contact your PKF O'Connor Davies client relations partner or any of the following:

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