

## COVID-19 Update for Individuals

Key points we are covering in this Update:

1. Filing deadlines are extended for most states; Virginia is one exception.
2. The CARES Act gives \$1,200 per person if your income is under the limit. We will discuss what to expect.
3. Required minimum distributions are not only suspended for 2020 but you may also roll funds back into your account if you have taken a distribution already this year.
4. How our office is handling this pandemic.

The Update:

This letter to our JK Associates individual tax clients updates previous letter(s) you may have gotten or seen on our website. Those letters are already out of date, and the situation is still changing rapidly. The Families First and Coronavirus Response Act (FFCRA) and Coronavirus Aid, Relief and Security Act (CARES) have both been passed and have many tax items. If you have questions, please email us – we can't possibly give enough detail in this update, and IRS guidance is evolving.

Deadlines

1. The new due date for tax returns previously due April 15<sup>th</sup> is now July 15<sup>th</sup>, 2020. This is an automatic 90-day extension (no filing required). In addition, there is a 90-day extension for making payments for balances due to both the IRS and Maryland (July 15<sup>th</sup>). There will be no late payment penalty or interest between April 15<sup>th</sup> and July 15<sup>th</sup>.
2. The deadline for making first quarter estimated tax payments is July 15<sup>th</sup>. However, the due date for second quarter estimated tax payments remains a month earlier, at June 15<sup>th</sup>. (Yes, you will pay the second payment before the first.)
3. The due date for making IRA or SEP contributions is now also July 15<sup>th</sup>.
4. For electronic payments, if we have already filed the return with an April direct debit date and you now want to delay your payment, you must contact the IRS (1-888-353-4537) to change those dates (see the first COVID-19 update). Our software cannot yet handle setting direct debit payments for July, however we have been told those changes are coming.
5. 6-month Extensions to Oct. 15<sup>th</sup>: the IRS said that these can be filed between April 15<sup>th</sup> and July 15<sup>th</sup>. However, we have no assurance yet that our software will allow these to be e-filed. As a proactive measure, we plan to e-file extensions for our clients by April 15<sup>th</sup>.

6. Most states have also extended filing and payment deadlines (including MD and DC). Virginia has not – the filing deadline is June 1, and interest starts to accrue May 1; late payment penalties start June 1.

NOTE: If you live in Virginia or other states that have not changed their deadlines and we have not completed your return yet, please email us. We don't want to miss those deadlines.

## CARES Act – Stimulus payments

The CARES act authorized payments of \$1200 per adult and \$500 per child under 17. There are income limitations to receive these payments. This payment will not be taxable income, and you will not have to pay it back. The IRS expects the first batch of payments to go out in the second half of April. These will most likely be to the taxpayers for whom the IRS has direct deposit info. If you are receiving a check, we have been told it could take up to 4 months to receive that check. The IRS is planning a website where you can enter direct deposit info for stimulus payments – but if it uses the same security as the existing “Get a Transcript” web tool, be aware that many taxpayers may fail the security check through no fault of their own.

If you have filed a 2019 tax return, the IRS will calculate your payment based on the 2019 tax return. If you have not filed 2019 but have filed 2018, the IRS will use your 2018 tax return. Direct deposit info will come off the tax return used. The IRS has officially said that seniors who have social security direct deposits but are not required to file an income tax return will not have to file to get their stimulus payment – the IRS will use the SSA direct deposit info. Lastly, it is our understanding that the stimulus payments will not be offset (taken) for debts except for existing child support amounts due.

There are income limitations to the stimulus payments. A single taxpayer with adjusted gross income of \$75,000 or less will receive the full payment. The payment is reduced as the taxpayer's income increases and at \$99,000 or more, that single taxpayer will not get the stimulus. (Adjusted gross income is on line 8b on your 2019 return; line 7 on your 2018 return.)

For married filing jointly, those with AGI under \$150,000 get the full payment but it is reduced between \$150,000 and under \$198,000. At \$198,000 you will not get the stimulus. These income limits can increase if you have children. Use an online calculator (see our Resources at the end of this letter) to calculate your benefit.

You will receive an additional \$500 per child under 17 – only those children that qualified for the \$2,000 child tax credit. Other dependents will not add \$500 to your stimulus payment and they will be ineligible to receive a payment themselves. Your college kids and you are out of

luck on this. If you have a dependent in 2019 that is no longer a dependent in 2020, then they will be eligible for their own \$1,200 stimulus payment on their 2020 tax return – but they will not receive an advance payment. The rules for whether you are or are not a dependent are specific. If your child qualifies as a dependent, they cannot claim themselves and must check the box on their tax return indicating they could be claimed as a dependent – even if you don't claim them.

Although the rules about dependents are clear, you do have a choice in whether to file a joint return or not if you are a married couple. However, even if one spouse would qualify for a stimulus payment based on their individual income, it is typical that filing separate returns would have higher overall combined tax liability.

We understand that your filing status, when you file your 2019 return, and dependents will affect the current stimulus payments going out. We are taking the extra steps to look at your 2018 tax return, consider married filing separate filing status, and ascertain your dependents status to maximize your stimulus payment. We ask that you do not sign your e-file authorizations until you are ready to file as the e-file cannot be undone. If you owe, do not pay until after you get your stimulus check. Changes are happening constantly that could change your decision. We will give you the best guidance we can, but overall, we feel that if you do not have a need to file now, wait.

## IRS Collections

There are provisions in the CARES act to defer collections from the period April 1, 2020 to July 15, 2020. Existing installment plan agreements may be suspended during this period but direct debit payments will not be automatically suspended so you must contact your bank. The IRS will not default any IA agreements or close any pending OIC applications during this period. Liens and levies initiated by field Revenue Officers will be suspended, but Revenue Officers will continue to pursue high-income and other cases. There will not be any new automatic, systematic liens and levies – let's hope the computers have been notified. The IRS will not start new audits during this period (unless necessary). For existing audits and exams, in-person meetings will be suspended but the IRS has tools to continue the audits remotely. There is no extension of time for existing audits or requests for information, and agents will continue to work cases. If the IRS contacts you and/or asks for information during this time, please let us know immediately.

## Miscellaneous provisions

1. Required Minimum Distributions are suspended for 2020. There is no guidance about whether you will be required to take two distributions in 2021 to cover the missed 2020 distribution. Required distributions from inherited IRAs are also suspended. These suspensions apply to IRAs, 401(k), and 403(b) plans.
2. If you have already taken money out of a retirement plan, you may be able to recontribute it. Ask us if you need to do this.
3. There will be a charitable deduction of up to \$300 allowed without itemizing in 2020.

## Non-tax provisions

We'd like to also update you on some of the non-tax provisions in the FFCRA and CARES Acts.

1. The Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act (FFCRA) requires paid sick leave for employees, including small businesses. You will need to contact your employer.
2. Unemployment has been expanded – you may be eligible even if you weren't before. Benefits should be higher. Contact your state unemployment bureau.
3. High Deductible Health Plans will cover COVID-19 testing and treatment before deductibles. Health care purchases such as OTC medicines may be eligible as FSA or HSA expenses.
4. These are consumer protections for loans, student loans, evictions, and foreclosures. If you are in financial difficulty, reach out to your lender to see if you qualify for relief.

## Changes in our office

Although tax preparation services are considered an essential business and are not required to close, for our employee and client safety we are limiting office interaction. Most of our employees are working from home. Our office will be closed Tuesdays and Thursdays for now but our hours can change.

1. Communication: Although we can receive voice mail messages if you call us, we will not be calling you back until we are in the office. Email is the best way to reach us at JK Associates. You can also use the secure portal messaging system. Please be patient, we will respond when we can.
2. Getting us documents: Our secure portal is the best way to send us documents. We prefer PDF files. (See Resources below for some smart phone apps.) You can also mail documents to us (USPS only) or fax documents (410-730-3337). Please call the office if

you would like to drop off documents. All documents will be quarantined for two days before scanning.

3. Getting your return/signing your return: the secure portal is the best way to get your completed tax return. The secure portal also allows you to e-sign your e-file authorization. If we mail your return and source documents, there will be an additional postage charge (a minimum of \$7) for USPS certified mail, and there will be delays in getting it mailed to you.

If you opt to use the portal, Cheryl will still be available to walk you through the process by phone, but her time will be limited. PIN/password resets can be done by us remotely; send us an email.

If you are picking up/signing the return in person, you must make a 15-minute appointment with Cheryl or Judy and wear a mask to the office. You can transmit the virus even if you are asymptomatic, and we need Cheryl and Judy.

4. Timing: in addition to the extra work we are doing with respect to stimulus payments, there were many provisions in the FFCRA and CARES Acts for businesses. Our workload has increased, and our priorities are shifting. Please be patient about receiving your completed tax return this year. We are focusing on returns that have needed refunds and returns that need to be filed for the stimulus payment. We hope we can all work together to get through these trying times.

#### Resources:

Stimulus calculator:

<https://www.kiplinger.com/tool/taxes/T023-S001-stimulus-check-calculator-2020/index.php>

Apps for using your smartphone to scan docs (so you can upload to our secure portal):

<https://www.techradar.com/best/best-document-scanning-apps>

As always, the IRS:

<https://www.irs.gov/coronavirus>

JK Associates email addresses (you may sense a pattern):

Karen – [Karen@jkassociatetestax.com](mailto:Karen@jkassociatetestax.com)

Keith - [Keith@jkassociatetestax.com](mailto:Keith@jkassociatetestax.com)

Nancy Jo - [NancyJo@jkassociatetestax.com](mailto:NancyJo@jkassociatetestax.com)

Cheryl - [Cheryl@jkassociatetestax.com](mailto:Cheryl@jkassociatetestax.com)