

9 things to know about the COVID-19 stimulus bills

Key takeaways

- The federal income tax deadline for filing 2019 tax returns has changed from April 15 to July 15, 2020. The deadline for making 2019 IRA and HSA contributions has also been moved to July 15, 2020.
- Required minimum distributions (RMDs) from some retirement accounts for 2020 have been waived, including 401(k), 403(b), and governmental 457(b) plans as well as SEP IRAs, SIMPLE IRAs, and traditional IRAs.
- The 10% early withdrawal penalty will be waived on aggregate distributions of up to \$100,000 from certain workplace retirement plans and individual retirement accounts (IRAs) for COVID-19-related purposes. The individual can elect to pay the federal income tax on the distribution over 3 years or has the option to repay the distribution within a 3-year period to an eligible retirement plan.
- Recent legislation included several provisions aimed at helping student loan borrowers and students who receive financial aid.

Congress has passed 3 bills aimed at mitigating the economic impact of COVID-19 and putting money into the economy. The most recent is the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#). At about \$2 trillion,¹ it's the largest economic stimulus legislation in American history since the New Deal in the 1930s.

“The CARES Act is Washington’s massive stimulus effort to provide relief for families, individuals, small businesses, and major sectors of our economy impacted by the coronavirus outbreak,” says Jim Febo, Fidelity’s Head of Federal Government Relations.

“For individuals it makes retirement funds available for emergency spending needs and delays mandatory distributions. It also enables broader use of health savings accounts, and provides help on student debt.”

Earlier this month, the [Families First Coronavirus Response Act](#) expanded paid sick leave and family leave, strengthened unemployment insurance and food assistance, and enhanced protections for health care workers. It was signed into law by the President on March 18 and takes effect April 2. The funding available for this bill was \$3.5 billion.

In early March, the [Coronavirus Preparedness and Response Supplemental Appropriations Act](#) was passed, authorizing more than \$8 billion in funding for health care research and emergency funding for the Department of Health and Human Services (HHS) and the US Agency for International Development (USAID) in support of domestic and international response efforts respectively.²

Here's a broad look at some of the key provisions in recently passed legislation as well as additional changes the federal government has implemented to help individuals.

1. Deadlines have changed

The deadline for filing and payment of 2019 federal income taxes has been moved from April 15 to July 15, 2020, by the Internal Revenue Service (IRS).

The IRS confirmed that July 15, 2020, will also be the deadline to make 2019 contributions to IRAs and health savings accounts (HSAs). Deadlines associated with contributions to workplace savings plans are not affected.

2. Direct payments to many Americans

The CARES Act includes a provision to send most Americans direct payments of \$1,200, or \$2,400 for joint filers, plus \$500 for each child.

The amount of the payments will be reduced for those with higher incomes. For individuals filing taxes as singles, the reduced amount begins at an adjusted gross income (AGI) of \$75,000 per year and is completely phased out at \$99,000. For joint filers, the reduced amount begins at \$150,000 and payment is eliminated at \$198,000.

Your AGI will be determined by your 2019 tax filing (or 2018, if 2019 is unavailable).

3. Some retirement account rules have been relaxed

The CARES Act offers some help to those with retirement accounts.

Required minimum distributions (RMDs) for 2020 are suspended for certain defined contribution plans and IRAs, including 401(k), 403(b), and governmental 457(b) plans as well as SEP IRAs, SIMPLE IRAs, and traditional IRAs. This includes the first RMD, which individuals may have delayed from 2019 until April 1, 2020.

Certain beneficiaries taking distributions from inherited IRAs may also skip the 2020 distribution when calculating their 5-year distribution period.

Affected, eligible participants in workplace retirement plans and IRA owners can take an aggregate distribution in 2020 of up to \$100,000 from all retirement accounts without incurring the usual 10% early withdrawal penalty. The affected participant or IRA owner (including a spouse or dependent) would need to either be diagnosed with SARS-COV-2 or COVID-19 or experiencing adverse financial consequences as a result of an event, including but not limited to quarantine, furlough, lay-offs, reduced work hours, no available childcare, business closing or reduced business hours (self-employed), or other factors determined by the Secretary of the Treasury.

In addition, the income tax on the distributions may be spread evenly over 3 years. Or, the distribution may be repaid to an eligible retirement plan within a 3-year period.

Loan repayments for affected participants in workplace retirement plans may be delayed for one year. These changes will be in effect through 2020.

Note that your plan may offer other withdrawal options.

4. Paid sick and family leave available for more workers

Paid leave is required for more employees by the Families First Coronavirus Response Act. These provisions apply to businesses of 500 employees or less. Businesses with 50 employees or less may be exempt from the paid leave provisions.

Eligible employees must be allowed up to 2 weeks (or 80 hours) of paid sick time:

- At their regular rate of pay if the employee is unable to work due to quarantine or experiencing COVID-19 symptoms and seeking a medical diagnosis.
- Or, at two-thirds their regular rate of pay to care for someone who is ill or to take care of a child whose school has been closed as a result of COVID-19.

The CARES Act caps these payments at \$200 or \$511 per day or an aggregate payment of \$2,000 or \$5,110, depending on the reason for leave.

Family leave was expanded under the Families First Coronavirus Response Act. Affected employees are entitled to up to 10 additional weeks of leave with job protection to recover from illness, at two-thirds their regular rate of pay, or to care for school-age children whose school has been closed.

The CARES Act capped family leave payments at \$200 per day and \$10,000 in aggregate.

For more information, visit [DOL.gov](https://www.dol.gov).

5. Unemployment insurance has been expanded

The Families First Coronavirus Response Act provides up to \$1 billion in aid to the unemployment insurance system.

The CARES Act also expands unemployment insurance. Under the provisions in the bill, more people will qualify for benefits and the amounts of weekly benefits will be increased.

6. Tax credits for the self-employed may be available

The Families First Coronavirus Response Act includes help for people who are self-employed. It includes a tax credit for sick leave and family leave of up to \$200 a day or 67% of average daily pay.

It also allows for up to \$500 a day for emergency paid sick leave for quarantine or testing for COVID-19, or 100% of average daily pay.

7. Federal student loan payments, interest waived

On March 13, the president announced that interest would be waived on federal student loans. Legislation codifying that order is retroactive to March 13. Learn more at [Studentaid.gov](https://studentaid.gov).

The CARES Act suspends payments on federal student loans for 6 months. The act waives any interest on the loans for 6 months as well.

The missed months of payments will be recorded as if the borrower had made a payment for the purposes of loan forgiveness programs.

The act makes emergency financial aid available to some students, up to the amount of the maximum Federal Pell Grant for the year.

Federal work-study payments can be made to qualifying students who have been unable to complete their work under the program due to COVID-19.

Students who are forced to withdraw from school due to the outbreak may have the portion of their loan covering that semester canceled. Requirements to return portions of grants or loan assistance will be waived for students who had to withdraw from school as well.

A provision in the CARES Act provides an income tax exclusion for individuals who get student loan repayment assistance from their employer for a limited period of time.

At the K–12 level, states may apply to waive certain federal education requirements for this school year.

8. More funding available for health care and expanded coverage

Testing for COVID-19 must be covered by private health insurance without cost sharing. Any vaccines for COVID-19 must be covered as well without cost sharing.

The CARES Act provides funding for health care providers and suppliers, including extra Medicare payments to hospitals to cover COVID-19 treatment and extra funding to community health centers.

The act expands coverage of telehealth services under Medicare. It also allows high-deductible health plans with health savings accounts (HSAs) to cover telehealth services even if patients have not met their annual deductible.

For health savings accounts, health flexible spending accounts, and health reimbursement arrangements, the act includes over-the-counter (OTC) medicines (without a prescription) and feminine products as qualifying medical expenses that can be reimbursed by these accounts.

9. Above-the-line deduction for charitable contributions

The CARES Act allows for a \$300 above-the-line deduction for cash charitable contributions made to 501(c)(3) organizations for taxpayers who take the standard deduction.

The act also relaxes the limit on charitable contributions for itemizers—increasing the amount that can be deducted from 60% of adjusted gross income to 100% of gross income.

These changes go into effect beginning in the 2020 tax year.

Both of these provisions explicitly exclude enhanced deductions for contributions to 509(a)(3) charitable organizations (commonly known as sponsoring organizations) or donor advised funds