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Dear Friends and Family of Gomes DaCruz & Tracy, PC,

We hope that you are keeping yourself, your loved ones, and your community safe from COVID-19. We thank you for your cooperation with our office hours of 8am-12pm Monday through Saturday and our no face-to-face meeting policy at this time. We continue to practice social distancing to reduce the risk of spreading this disease. Governor Baker has extended the stay at home advisory through May 4, 2020. We will continue to keep our reduced hours and no face-to-face meeting policy during this time.

Along with those paramount health concerns, you may be wondering about some of the recent tax changes meant to help everyone coping with the Coronavirus fallout. I want to update you on the tax-related provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress's gigantic economic stimulus package that the President signed into law on March 27, 2020.

Federal and state (MA & CT confirmed) tax filing and payment dates of April 15th have been extended until July 15th. This includes tax liabilities due for 2019 and estimated tax payments for 2020. We are continuing to prepare returns on a first in first out basis and will prioritize based on returns with refunds due.

Recovery rebates for individuals. To help individuals stay afloat during this time of economic uncertainty, the government will send up to \$1,200 payments to eligible taxpayers and \$2,400 for married couples filing joint returns. An additional \$500 additional payment will be sent to taxpayers for each qualifying child dependent under age 17 (using the qualification rules under the Child Tax Credit).

Rebates are gradually phased out, at a rate of 5% of the individual's adjusted gross income over \$75,000 (singles or married filing separately), \$122,500 (head of household), and \$150,000 (joint). There is no income floor or "phase-in"—all recipients who are under the phase-out threshold will receive the same amounts. The rebates are not available to nonresident aliens, to estates and trusts, or to individuals who themselves could be claimed as dependents.

The rebates will be paid out in the form of checks or direct deposits. Most individuals won't have to take any action to receive a rebate. IRS will compute the rebate based on a taxpayer's tax year 2019 return (or tax year 2018, if no 2019 return has yet been filed). If no 2018 return has been filed, IRS will use information for 2019 provided in Form SSA-1099, Social Security Benefit Statement, or Form RRB-1099, Social Security Equivalent Benefit Statement.

Rebates are payable whether or not tax is owed. Thus, individuals who had little or no income, such as those who filed returns simply to claim the refundable earned income credit or child tax credit, qualify for a rebate.

In the coming weeks, Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail. Check the following link for updates:

<https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>

Waiver of 10% early distribution penalty. The additional 10% tax on early distributions from IRAs and defined contribution plans (such as 401(k) plans) is waived for distributions (up to \$100,000) made between January 1 and December 31, 2020 by a person who (or whose family) is infected with the Coronavirus or who is economically harmed by the Coronavirus (a qualified individual). Income arising from the distributions is spread out over three years unless the employee elects to turn down the spread out. Employers may amend defined contribution plans to provide for these distributions.

Waiver of required distribution rules. Required minimum distributions that otherwise would have to be made in 2020 from defined contribution plans (such as 401(k) plans) and IRAs are waived. This includes distributions that would have been required by April 1, 2020, due to the account owner's having turned age 70 1/2 in 2019.

Charitable deduction liberalizations. The CARES Act makes significant liberalizations to the rules governing charitable deductions for 2020 that we will cover in an email alert at a later date.

Individual Retirement Accounts, Self Employed Pensions and Health Savings Accounts

Contributions to IRAs, SEPs and HSAs are traditionally due on the due date of the income tax returns. Because the IRS has moved the due date to July 15, 2020, the date for these contributions has also been moved to July 15, 2020.

Break for nonprescription medical products. For amounts paid after December 31, 2019, the CARES Act allows amounts paid from Health Savings Accounts and Archer Medical Savings Accounts to be treated as paid for medical care even if they aren't paid under a prescription. Also, amounts paid for menstrual care products are treated as amounts paid for medical care. For reimbursements after December 31, 2019, the same rules apply to Flexible Spending Arrangements and Health Reimbursement Arrangements.

Expanded Unemployment Benefits

Unemployment benefits have been extended to 39 weeks and an increase of \$600 per week in the amounts customarily available is being paid through July 31, 2020. In addition, those out of work as a direct result of COVID-19, sole proprietors, independent contractors and self-employed individuals will be able to collect. State unemployment offices will take some time to update policies for these changes and individuals submitting for unemployment should be patient. Those able to telework with pay and those receiving paid sick leave or other paid benefits are not eligible.

<https://www.mass.gov/unemployment-insurance-ui-online>

A separate email will be sent out to our business and self-employed individuals regarding business provisions passed.

Thank you for your commitment and support and we wish all of you the very best in a difficult time.



Anna M. Cary + Tracy, P.C.