

FEDERAL INCOME TAX RELATED TO THE CORONAVIRUS

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We want to alert all of our clients to review the Federal Tax Changes as well as any proposed upcoming changes. The rules and procedures are developing on a daily basis and we will continue to monitor any updates to you as the rules change. With the fluidity of the situation – there are facts and fiction and we suggest that you review your situation with your tax preparer. Please note that this is related to Federal Income Taxes only (not State Income Taxes).

For more information, you can review the following notice that the IRS released at:
<https://www.irs.gov/pub/irs-drop/n-20-17.pdf>

As of today, March 23rd, 2020, the following should be noted:

The 2019 Tax Year: The April 15th deadline has been extended to July 15th for your 2019 return with any liability payments due on this new extended July 15, 2020 deadline.

Although there could be additional changes that occur at any time, here are the issues to consider now:

- We will monitor if any 2019 IRA or Roth IRA contributions will also be due as of July 15th and not the original April 15, 2020 deadline. If you can fund your 2019 IRA or Roth IRA now, do so before April 15th.
- Make any 2019 SEP-IRA, SIMPLE IRA, defined contribution payments by the new July 15, 2020 deadline, unless you are filing an extension allowing for these contributions to be extended past this date.

Regarding 2020 Estimated Tax Year Payments:

- Individuals can postpone their 2020 estimated tax payments due from the date of enactment until October 15, 2020.
- You may consider using withholding from W-2's, Social Security benefits, pension payments, IRA distributions, and/or other qualified distribution payments received to meet any underestimated tax penalties. Check with your tax preparer or contact us to discuss a strategy.

Proposed additional tax benefits that may be available:

- **Distributions of \$100,000 in retirement funds** – Waiving the 10% early withdrawal penalty for any distribution of up to \$100,000 related to coronavirus. The income tax on these distributions will be paid over a three-year period and any withdrawn amounts can be re-contributed within three years without regard to that year's contribution cap.
- Allowing to defer the 6.2% employer FICA tax for self-employed individuals paid between the date of enactment and December 31, 2020 will be paid in equal parts on December 31, 2021 and December 31, 2022.
- **2020 Required Minimum Distributions (RMDs)** - We are watching for a possible change to any 2020 RMDs. For example, in 2009 the RMD was suspended and no RMD payments were needed to be taken during the tax year. It is currently unclear if this will apply to the 2020 tax year.

Please stay safe and healthy and always call us if we can assist in any way.

The Winthrop Wealth Team

DISCLOSURES:

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.