

*Learn how
the CARES Act
affects you*

Webinar 1
Individual Incentives Under the
CARES Act:
What's in it for Me?

Monday, April 6, 2020
12:00 noon – 1:00 p.m. Central

- **Terri Helge**, Professor of Law and Associate Dean of Academic Affairs
- **Gary Lucas**, Professor of Law and Senior Associate Dean
- **Bob Probasco**, Senior Lecturer and Director, Low Income Tax Clinic
- **Luz Herrera** (Moderator), Professor of Law and Associate Dean for Experiential Education



CARES ACT FREE WEBINAR SERIES

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CARES Act Rebate

Gary Lucas

Texas A&M School of Law



Am I Eligible?

- Yes, if you're an adult who has an SSN and who can't be claimed as a dependent on another's tax return.
- Nonresident aliens and estates and trusts aren't eligible.
- For married couples who file jointly, both spouses must have an SSN, unless one spouse is a member of the Armed Forces.

How Much?

- \$1,200 for an individual taxpayer
- \$2,400 for a married couple filing jointly
- Adults who have “qualifying children” receive an additional \$500 per child
 - Qualifying child includes a child, grandchild, sibling, niece, or nephew who lives in the taxpayer’s household for more than half the year, is under 17, and has an SSN or adoption TIN.
 - No limit on the number of qualifying children

Phaseout

- The rebate is reduced by \$5 for every \$100 that your adjusted gross income (AGI) exceeds:
 - \$75,000 for individuals (including married filing separately)
 - \$150,000 for married taxpayers filing jointly
 - \$112,500 for a taxpayer filing as head of household
- For example, the rebate is completely phased out for:
 - Individuals with AGI of \$99,000 and over
 - Married taxpayers filing jointly with no children and AGI of \$198,000 and over

How Do I Receive It?

- Technically, the rebate is a refundable tax credit against your 2020 federal income taxes, which aren't due until 2021.
- But the government wants to send out the rebates quickly.
- So the IRS will calculate your rebate amount based on your 2019 tax return (or, if that's not filed, your 2018 tax return).
- The IRS will use the AGI and qualifying children you reported on your 2019 (or 2018) return.

How Do I Receive It?

- If you are set up to have tax refunds or other federal payments direct deposited, the IRS will issue your rebate via direct deposit.
- Direct deposits are supposed to begin on April 17th.
- Otherwise, the IRS will mail a check to your last known address, and this could take several months.

How Do I Receive It?

- If your address has changed since you last filed a tax return, you may want to file a change of address form with the IRS.
- IRS is supposed to open a web-based portal to allow people to provide direct deposit information.

What about Non-Filers?

- For people who receive Social Security benefits, but did not file a tax return in 2019 or 2018, the IRS will issue rebates based on information that the Social Security Administration has on file.
- Many low-income taxpayers aren't required to file a tax return.
- The IRS has indicated that they will need to do so for 2019 in order to receive their rebate quickly.

What If I Owe Back Taxes?

- You will receive the rebate even if you have outstanding federal and state tax obligations, debts owed to federal agencies, or unemployment compensation debts.
- But the refund will be used to offset any past-due child support obligations.

What If I Receive the Wrong Amount?

- Since the IRS is estimating your 2020 tax credit based on your 2019 tax return, you may receive the wrong amount.
- The good news is that when you file your 2020 tax return, if it turns out that you received less than you were supposed to, you will get that additional amount.
- But if you received more than you were supposed to, you won't have to pay it back.



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CARES Act – Uncertainties About Rebates; Other Initiatives

Robert Probasco

Texas A&M School of Law



Rebates – Implementation Issues & Unanswered Questions

- Congress is pushing for payment to taxpayers “as rapidly as possible.”
- That pushes the IRS to make necessary programming changes (which will be complex) very quickly, with an antiquated computer system. There is a significant possibility of glitches.
- How to interpret the Act is still uncertain in many areas and it will take time to get clarity.

Rebates – Implementation Issues & Unanswered Questions

- The CARES Act treats the rebates as tax refunds. Under existing law, tax refunds (or advance payments for refundable credits) are:
 - Not taxable income to the recipient.
 - Not treated as resources for purposes of determining eligibility for benefits and assistance under Federal programs.
- IRS and SSA are exploring possible ways of issuing advance refunds to SSI beneficiaries.

Rebates – Implementation Issues & Unanswered Questions

- The CARES Act states that the rebates will not be kept by the government to pay other amounts you owe, except for past-due child support obligations.
- But it may happen in two other situations.
 - Offer in compromise?
 - Balance due for the year (2018 or 2019) used by IRS to determine the amount of the advance refund?

Rebates – Implementation Issues & Unanswered Questions

- Example: the advance refund amount, determined based on your 2018 tax return, is \$1,200. You still haven't paid \$2,000 of the amount shown on that return.
 - Option A: Advance refund of \$1,200 is paid out and you still owe a balance of \$2,000 for 2018.
 - Option B: There is no advance refund, the balance due for 2018 is reduced to \$800, and you receive nothing more when you file your 2020 return.

Rebates – Implementation Issues & Unanswered Questions

- In addition to the parent, the qualifying children must have a valid SSN.
 - Three children, two with valid SSN and one without? May forfeit the rebate for everyone on the return, including parents.
 - Dependents on the return other than qualifying children? Older children, parents, etc.? Unclear.

Rebates – Implementation Issues & Unanswered Questions

- Temporary guestworkers usually have a SSN. They could receive a rebate if they're a “resident alien” but not if they're a “nonresident alien”.
- Definition of “resident alien” differs for tax and immigration. More inclusive tax definition (green card or “substantial presence”) **probably** applies.
- Resident aliens may be discouraged to claim the rebate, if it's considered a “public benefit.”

Rebates – Implementation Issues & Unanswered Questions

- Any time large sums of money are being paid out . . . there will be people trying to steal it from you.
- Retirees are likely targets – but not the only ones.
- The IRS has a page on their website warning about typical tricks you may encounter.
<https://www.irs.gov/newsroom/irs-issues-warning-about-coronavirus-related-scams-watch-out-for-schemes-tied-to-economic-impact-payments>

EMERGENCY DECLARATION

- The President's declaration gave the IRS discretion to delay certain deadlines.
- To date: the deadline for returns and payments due by 4/15/2020 is now 7/15/2020.
- The IRS has discretion to provide more relief later, without authorization from Congress. Expect them to use that discretion if needed.

“PEOPLE FIRST” INITIATIVE

- Payments on existing installment agreements or offers in compromise suspended from 4/1/2020 – 7/15/2020.
- Many collection actions, such as levies or filing liens, will be suspended.
- IRS will generally not start new audits.
- But you should continue responding to anything already in progress (audit, offer in compromise, etc.) if possible.

CURRENT IRS OPERATIONS

- Most campus operations as well as Taxpayer Assistance Centers are closed.
- Some IRS functions are working remotely.
- In offices that are still open, and working remotely is not an option, significantly reduced staffing (for social distancing) will lead to very slow responses.
- Processing will be delayed significantly for anything submitted by mail instead of electronically.



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CARES Act: Retirement Plans, Charitable Contributions, and Student Loans

Terri Lynn Helge
Professor of Law



Retirement Plans

- COVID-19 Distribution
 - Limit \$100,000
 - No 10% early distribution penalty
 - Distribution is taxable – but can spread out over three years
 - Optional - can repay distribution to qualifying plan within three years
 - COVID-19 qualifying event
 - You, spouse or dependent test positive
 - Financial hardship due to quarantine, lack of child care, loss of or reduction in employment

Retirement Plans

- Plan loans
 - Qualifying individuals
 - Maximum amount increased to \$100,000 or total vested balance of plan, whichever is smaller
 - Can delay repayment on existing plan loans for up to one year
- Waiver of minimum required distributions for participants age 70½ or older for 2020

Charitable Contributions

- “Above the line” deduction for 2020
 - Cash contributions
 - Limit to \$300
 - Non-itemizer
- Suspension of charitable contribution limits for itemized deductions
 - Cash contributions only
- Qualifying charities – generally public charities other than supporting organizations or donor advised funds

Student Loan Relief

- Suspension of payments through September 30, 2020
 - 0% interest through 9/30/20
 - Still “in repayment” status and in good standing
 - Payments otherwise due count towards loan forgiveness through income-based repayment plans or the Public Service Loan Forgiveness Program
- No collection action on defaults through September 30, 2020
 - Suspends wage garnishment, tax refund seizures, Social Security seizures
- Qualifying loans
 - Federal direct loans and federally held FFEL loans
 - NOT commercially held FFEL loans, Perkins Loans and private student loans



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Questions?



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NEED ADDITIONAL ASSISTANCE? The Tarrant County Bar Association offers free advice on “LegalLine”

LegalLine is a community service program offered twice a month by the Tarrant County Bar Association. Volunteer attorneys from the Tarrant County Bar Association offer free advice to Tarrant County residents on the 2nd and 4th Thursday of every month from 5–7pm.

As part of the Tarrant County Bar Association’s commitment to the public, local lawyers volunteer two hours of their time to answer questions covering a broad range of topics.

Anyone interested can sign up for an appointment time at tarrantbar.org

