

This section addresses how any charitable contributions made by you, any stimulus checks received from the government, or how retirement plan distributions affect the filing of your 2020 tax return. Again, these changes are temporary and only apply to 2020.

DONATIONS

Pre-CARES Act:

- Charitable donations are only deductible for people that are able to itemize an amount over the standard deduction which was raised in the TCJA 2018.

CARES Act:

- This allows for an adjustment, which lowers adjusted gross income, for charitable donation during 2020 in the amount of up to \$300.
 - o Charitable Contributions over \$300 are only beneficial if you are able to itemize.
- Increase in limit on deductibility of cash contributions for 2020, up to 100% of adjusted gross income (AGI) for individuals & 25% of taxable income for C-Corporations

RECOVERY REBATES (Stimulus Check)

- Immediate payments to some taxpayers as advance refunds of a 2020 tax credit.
- If you receive a stimulus check, you will need to remember this for 2020's tax filing.
 - o If you do not receive a check, you can claim the refund on 2020's tax filings.
 - Individuals receive a tax credit of \$1,200 (\$2,400 for MFJ), and \$500 for each qualifying child.
- Eligibility is determined based on 2019's tax data, then subsequently to 2018's tax data. The amounts will use electronic bank information from your tax return. Paper checks will be mailed to the last known address if no electronic bank information is provided. Use form 8822 if you need to change your address: <https://www.irs.gov/pub/irs-pdf/f8822.pdf>
- The IRS claims that they are working on a portal where individuals can go and update their bank information.
- If you have a dependent in 2019 will no longer be a dependent in 2020, you need to keep track of your refund amount so your dependent can provide the correct data for their tax return.
- Notices will be mailed out after 15 days of the disbursement and will indicate:
 - o Amount paid
 - o Bank account information
 - o Phone number for a representative

RETIREMENT PLANS

- Required minimum distributions (RMD) are suspended for 2020. 2020 RMD's for single-employer plans are delayed until 2021.
- Individuals can take up to \$100K in coronavirus-related distributions from qualified retirement plans and IRA plans without being subject to the 10% penalty for early distributions.
 - o The income withdrawn is still taxable, but can be recognized evenly over 3 years.
 - o The income can be paid back within 3 years of the date of withdrawal, and will not be subject to income tax.

- 401(K) plans allow a change in the loan amounts that is projected to be \$100K and potentially paid back over 5 years.

RainCity CPA, PLLC