GBS Compliance

CARES Act Provides Assistance for Individuals

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The evolution of the COVID-19 epidemic is constantly evolving. The information in this document is based on what known at this time. As things change, we will continue to update you as it affects employee benefits compliance rules.

The CARES Act is a result of a $2 trillion stimulus bill passed by Congress and signed into law on March 27, 2020. It is intended to provide help for struggling families and businesses and health care workers on the front lines of the coronavirus outbreak. It combines tax provisions and other stimulus measures, and for individuals specifically, it expands unemployment benefits and provides one-time money to individuals who fall into specific income thresholds.

Expansion of Unemployment Benefits

The CARES Act includes a significant expansion of unemployment benefits that will extend unemployment insurance by 13 weeks and include a four-month enhancement of benefits (for reference, many states already provide 26 weeks of unemployment benefits, and thus participants in such states would be eligible for a total of 39 weeks when adding the 13 weeks of federal relief). The enhanced benefits may provide an additional $600 per week on top of what state unemployment programs pay.

Many individuals who typically do not qualify for unemployment insurance will qualify under the package, including independent contractors and self-employed individuals. In sum, those who are unemployed, partially unemployed or who cannot work for a wide variety of coronavirus-related reasons will be more likely to receive benefits.

Each state administers a separate unemployment insurance program, so individuals should visit their state's unemployment insurance website which will provide the relevant details regarding their individual programs. The information employees will need includes their Social Security number and driver's license or state ID.

Individual Checks to Taxpayers

The CARES Act provides direct payments to taxpayers based on the adjusted gross income found on their 2019 federal tax return if filed, or in the alternative, their 2018 return. All U.S. residents with adjusted gross incomes up to $75,000 ($150,000 for married couples) will get a $1,200 ($2,400 for couples) payment. Families will receive an additional $500 per child, so for example, a family of four earning less than $150,000 could receive $3,400. The checks start to phase out after that threshold and disappear completely for individuals making more than $99,000 and couples making more than $198,000.

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The rebates are available even if the taxpayer has no income, and no action is required to claim the rebates. The IRS will use the taxpayer's 2019 tax return, or as stated above if not filed, the 2018 return. It is unclear how long it will take the IRS to process every payment, but it appears individuals could start receiving payments as soon as April 6.

Additional Help for Individuals and Families

- The CARES Act addresses certain retirement issues including waiving the 10% additional tax for premature distributions related to the coronavirus for amounts not to exceed $100,000 from all plans of the controlled group, subject to certain rules
- The CARES Act encourages individuals to contribute to churches and charitable organizations in 2020 by relaxing some of the limitations on charitable contributions.
- The CARES Act expands the definition of employer-provided educational assistance that is excluded from gross income to include up to $5,250 in student loan payments made by an employer between the date of enactment and the end of 2020. It also suspends involuntary collections on student loans, including by offsetting an income tax refund.

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