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Coronavirus Aid, Relief, and Economic Security ("CARES") Act Summary

As of March 30, 2020, there have been three different acts passed by Congress and signed by the President addressing different aspects of the coronavirus (COVID-19) crisis:

Coronavirus Preparedness and Response Supplemental Appropriations Act enacted March 6, 2020 (Phase 1), (not summarized)

Families First Coronavirus Response Act ("Families First Act"), enacted March 18, 2020 (Phase 2) (summarized separately)

Coronavirus Aid, Relief, and Economic Security ("CARES") Act, enacted March 27, 2020 (Phase 3) (summarized in two pieces—provisions primarily affecting individuals below and provisions primarily affecting businesses in a separate piece)

This summary focuses on the provisions of the CARES Act that primarily affect individuals. It and the summary of provisions primarily affecting businesses are not intended to cover all provisions of the act or its potential impacts. It will be updated as additional information becomes available.

The information provided is not written or intended as specific tax or legal advice. MassMutual, its subsidiaries, employees, and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.

Summary as of April 1, 2020

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RECOVERY REBATE

CARES Act Provision	Explanation
$1,200 payments to individuals	Technically referred to as "2020 Recovery Rebates", eligible individuals are entitled to $1,200 credits against their 2020 federal income tax. Married couples are entitled to a $2,400 credit. An additional $500 credit is available for each qualifying child of the taxpayer. The credit is phased out for individuals whose adjusted gross income exceeds $150,000 for a joint return, $112,500 for a head of household return, and $75,000 on all other returns.

Do I need to sign up or do anything to receive the Recovery Rebate?

If you filed your tax return for 2018 or 2019, you do not need to do anything to receive the Recovery Rebate. The IRS will make the payment based on your most recent income tax return. If you did not file either a 2018 or 2019 income tax return, you will need to file a 2019 income tax return.

Do I have to file a return to qualify for a Recovery Rebate?

Yes, if you do not typically file a return, you will need to submit a simple tax return to receive the Recovery Rebate. Low-income taxpayers, senior citizens, Social Security recipients, some veterans and individuals with disabilities who are otherwise not required to file a tax return will not owe tax.

IRS.gov/coronavirus will soon have information on how people who normally don't file can file a 2019 tax return with the "simple, but necessary, information." That information will include their filing status, number of dependents, and direct deposit bank account information.

Do I have to pay income tax to qualify for a Recovery Rebate?

No. While you do need to file an income tax return, you do not have to pay income tax to qualify for a Recovery Rebate.

Can I still receive a Recovery Rebate if I have not filed my returns for 2018 or 2019?

Yes but you will need to file a 2019 income tax return. The IRS urges anyone who is required to file for 2018 or 2019 to file as soon as they can to receive a Recovery Rebate. You should include your direct deposit banking information on the return.

If I need to file a tax return, how long are the Recovery Rebates available?

The Recovery Rebates are available through the rest of 2020.

Are all individuals who file a U.S. income tax return eligible for a Recovery Rebate if they meet the AGI limit?

No, the following individuals are not eligible for a Recovery Rebate:

- Those who are neither U.S. residents nor U.S. citizens
- Those who do not have a Social Security number

- Anyone who can be claimed as a dependent by another person, even if that other person does not claim them as a dependent. For example, Leana can be claimed as a dependent by her parents. Even if her parents do not claim her as a dependent, she is not eligible for a Recovery Rebate.
- Trusts and estates are not eligible for a Recovery Rebate

I file a joint tax return but my spouse doesn't have a Social Security Number. Am I eligible for a Recovery Rebate?

No, you are not eligible unless you are in the military. You cannot receive a Recovery Rebate unless you and your spouse both have a Social Security Number.

My child is under 17 but doesn't have a Social Security Number. Am I eligible for a Recovery Rebate for them?

No, your child must have a Social Security Number to qualify for a $500 Recovery Rebate.

I'm in the military and my spouse does not have a Social Security Number. Am I still eligible for a Recovery Rebate?

Yes, you are eligible. If one spouse has a Social Security Number and either spouse is in the military, they qualify for a Recovery Rebate.

How does the phase-out work?

Filing status	$0 Recovery Rebate if AGI exceeds:			
	No qualifying children	1 qualifying child	2 qualifying children	3 qualifying children
Married filing joint	$198,000	$208,000	$218,000	$228,000
Head of household	$136,500	$146,500	$156,500	$166,500
All Other	$99,000	$109,000	$119,000	$129,000

Each additional qualifying child increases the AGI level where the phase-out ends and the Recovery Rebate is reduced to zero by $10,000.

Are you eligible for a $500 Recovery Rebate for each dependent claimed on your tax return?

No, Recovery Rebates are paid only for qualifying children. A qualifying child is a child who can be claimed as a dependent on your income tax return, was under 17 on his or her birthday in 2020, and is either a U.S. citizen or a U.S. resident. Recovery Rebates will not be paid for other dependents claimed on your income tax return, including children 17 or older, grandchildren, and parents.

When will the Recovery Rebate be paid?

The CARES Act directs the Treasury Department to pay the Recovery Rebate "as rapidly as possible." The Treasury Secretary has stated that he expects Recovery Rebate checks to start within three weeks of the enactment of the CARES Act on March 27, 2020, which would be April 17, 2020.

How will the Recovery Rebate be paid?

If the IRS has your bank account information because you received a direct deposit of your 2018 or 2019 income tax refund, it will pay the Recovery Rebate to that account.

What happens if the IRS does not have my direct deposit information?

In the coming weeks, Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online to allow individuals to receive payments immediately. Otherwise, it will be sent to the last address the IRS has for you.

Will the IRS send me any notice about the Recovery Rebate?

Yes, the IRS is required to send you a notice, within 15 days after it makes the payment, to your last known address that states how the payment was made, the amount of the payment, and an IRS phone number for you to contact if you don't receive the payments.

Can I do anything to get the Recovery Rebate faster?

No. Some scammers are claiming to be able to accelerate the Recovery Rebate payment. Avoid them.

Do I have to report the Recovery Rebate as income in 2020?

No, the Recovery Rebate is not considered income. The Recovery Rebate is actually an advance refund of a credit against your 2020 tax. Your actual Recovery Rebate will be computed on your 2020 income tax return, based on your income, filing status, and dependents reported on that return.

What happens if I receive a Recovery Rebate that is more than what I am entitled to?

Good news. You get to keep the excess. You are not required to return it. It will not reduce any refund you're otherwise entitled to or increase any amount you owe.

This can happen because the IRS uses your 2018 or 2019 tax return to estimate your Recovery Rebate. Changes in your situation, such as AGI, filing status, or number of qualifying children may mean that your actual Recovery Rebate will be significantly different than the Recovery Rebate you received.

What happens if I receive a Recovery Rebate that is less than the amount I am actually entitled to?

The additional Recovery Rebate you're entitled to will be treated as a refundable credit and either increase your refund or reduce the amount you owe. This could occur because you had a qualifying child born in 2020 who wasn't reported on the 2019 income tax return used to compute the Recovery Rebate you received.

Since the Recovery Rebate is a credit against my 2020 tax, should I adjust my withholding for it?

Only if you expect to be entitled to a larger Recovery Rebate than what you received. In that case, you may want to reduce your withholding accordingly. The Recovery Rebate doesn't affect your state income tax liability so you should not adjust your state withholding.

How do I get a Recovery Rebate if I didn't qualify on the last tax return I filed but in my 2020 situation has changed and I expect to qualify based on my 2020 situation?

This can happen if your income drops, your filing status changes, or the number of qualifying children increases. You will have to wait until you file your 2020 income tax return to receive your Recovery Rebate. If you are working, you can adjust your withholding to reflect the Recovery Rebate you expect. Consult your tax advisor for additional details.

If my Recovery Rebate was subject to the phase-out, is there any planning I can do to increase the Recovery Rebate amount I am entitled to when I file my 2020 return?

Yes, there may be steps you can take to increase the Recovery Rebate computed on your 2020 income tax return. These may include making pre-tax IRA contributions, contributing to a pre-tax 401(k) or 403(b) account instead of a Roth 401(k) or 403(b) account, deferring income to 2021, and accelerating deductions to 2020. Consult your tax advisor for additional details based on your personal situation.

What do I do if I receive an incorrect Recovery Rebate?

At this time, the IRS has not released any information about what to do if you believe you received an incorrect Recovery Rebate. As mentioned above, your actual Recovery Rebate will be computed based on your 2020 income tax return and any additional Recovery Rebate you're entitled to will increase your refund or reduce your amount due. You get to keep any excess.

PENALTY-FREE DISTRIBUTIONS FROM RETIREMENT PLANS

CARES Act Provision	Explanation
Penalty-free distributions from qualified savings for coronavirus-related distributions.	No 10% early distribution penalty will be imposed on coronavirus-related distributions taken in 2020 from IRAs, 401(k) plans, 403(b) plans and governmental 457(b) plans. Unless you elect to include all of the taxable income from the distribution in your 2020 income, it will be split evenly over your 2020, 2021, and 2022 tax years.

What is considered a coronavirus-related distribution?

To qualify for these special distribution rules you must meet one of the following criteria:

- Have been diagnosed with the COVID-19 or the virus SARS-SoV-2 by a test approved by the Centers for Disease Control and Prevention (CDC)
- Have a spouse or dependent who have been diagnosed with COVID-19 or the virus SARS-SoV-2 by a test approved by the Centers for Disease Control and Prevention (CDC)
- Experience adverse financial consequences as result of:
    - Being quarantined,
    - Being furloughed,
    - Being laid off or having hours reduced due to the disease or virus, or
    - Being unable to work due to lack of child care due to the disease or virus,

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    - Closing or reducing hours of a business owned or operated by the individual due to the virus or disease
- Other factors as determined by the Secretary of the Treasury

Will distributions from employer-sponsored retirement plans be subject to a mandatory 20% withholding for Federal income taxes?

No, if you certify to the plan administrator that your distribution is coronavirus-related the mandatory 20% Federal withholding does not apply.

Can I contribute some or all of these withdrawn funds back into an IRA or employer-sponsored retirement plan?

Yes, at any time during a 3-year period, beginning the day after you receive one of these distributions, you can roll any portion of the distribution back into your IRA or eligible retirement plan. You can do this is in a single rollover or multiple partial rollovers within the 3-year period. Depending on the timing of the repayment an amended tax return may be required. If you want to recontribute some or all of the funds, contact the plan administrator or IRA custodian for details on their procedure for re-contributions.

ENHANCED EMPLOYER-SPONSORED RETIREMENT LOAN PROVISION

CARES Act Provision	Explanation
Temporary enhancement to employer-sponsored retirement plan loan provisions	An employer that sponsors a retirement plan, such as a 401(k) or 403(b), that allows the plan participants to take loans may increase the loan limits and delay repayment for a participant who is impacted by the coronavirus takes from the plan during a 180-day period starting on March 27, 2020.

Which plan participants qualifiy for these retirement plan loan enhancements that my employer may offer in my retirement plan?

The same individuals impacted by the coronavirus disease 2019 or the virus SARS-SoV-2 that qualify for a penalty-free distribution from their IRA or employer retirement plan qualify for the enhanced loan provisions.

What are the enhancements?

Normally, once a plan participant has a vested balance in the plan of at least $20,000, they are eligible to take a loan of up to 50% of their vested balance not to exceed $50,000. If you are a qualified person and take a loan from your employer-sponsored plan that permits these enhancements you may take a loan up to your full vested balance up to a maximum amount of $100,000 during this 180-day period.

Any payments that would otherwise be due on these plan loans during calendar year 2020 are delayed for a period of one-year.

WAIVER OF 2020 RMDs

CARES Act Provision	Explanation
Required Minimum Distributions (RMDs) are waived for 2020	All RMDs for IRAs, SEP IRAs, SIMPLE IRAs and 401(k), 403(b) and governmental 457(b) plans are waived for 2020. The waiver also

	applies to the RMDs on inherited accounts that a beneficiary would normally have to take in 2020.

If I've already taken a distribution this year that was intended to be an RMD, may I roll it back into my retirement account?

Maybe. If you received a distribution in the last 60-days you can roll it back in the IRA or qualified plan within 60-days of receiving it if you have not already completed a 60-day rollover of a prior IRA distribution within the last 366 days. This restriction on these indirect IRA rollovers will also prohibit you from rolling back in more than one distribution that you may have received in the last 60-days.

Alternatively, if you meet one of the qualifications for a coronavirus-related distribution (see the list of them under the discussion of the penalty-free distributions from qualified savings above) you can roll the distribution back into an IRA or plan anytime within three years from the date the distribution was received. Note that if you are retired it is unlikely that you will meet one of the work-related qualifications.

$300 CHARITABLE CONTRIBUTION DEDUCTION IF YOU DON'T ITEMIZE

CARES Act Provision	Explanation
$300 for non-itemizers	Normally, charitable contributions are deducted from Adjusted Gross Income as an itemized deduction. Thus, only taxpayers that itemize their deductions (vs. taking the Standard Deduction) benefit from charitable contributions. Now, for those who do not elect to itemize their deductions, up to $300 of annual cash contributions made after 1/1/2020 can be deducted directly from the taxpayer's Gross Income.

What type of contributions qualify for this limited deduction?

Only cash contributions made directly to the qualifying charitable organization. Contributions to supporting organizations or donor advised funds do not qualify.

Is this deduction permanent?

There is no expiration date in the Act for this new deduction.

INCREASED 2020 DEDUCTION LIMIT FOR CASH CHARITABLE CONTRIBUTION

CARES Act Provision	Explanation
Modification on Charitable Contribution Deduction Limits for 2020	The Act waives the 60% of Adjusted Gross Income limit on cash contributions made to charitable organizations in 2020. The maximum amount of these contributions that can be deducted in 2020 is 100% of the taxpayer's 2020 Adjusted Gross Income. Any contribution amount above the limit may be carried forward to future tax returns.

What type of contributions qualify for this increased limit?

Only cash contributions made directly to the qualifying charitable organization. Contributions to supporting organizations or donor advised funds do not qualify.

What planning strategies might an individual consider to take advantage of the increased limit?

Several strategies could be considered. If you own securities that have a loss because the value is less than your basis, selling the securities, realizing the capital loss, and contributing the cash may produce a better tax result than contributing the securities to charity. If you have capital gains, the capital loss would offset the gains, reducing or eliminating the capital gains tax. The cash that would have been used to pay capital gains tax can be used to make a deductible cash charitable contribution.

INCOME EXCLUSION FOR EMPLOYER PAYMENTS OF STUDENT LOANS

CARES Act Provision	**Explanation**
Exclusion for Certain Employer Payments of Student Loans	Tax law excludes from an employee's taxable compensation any amount the employer pays for educational assistance provided to the employee up to $5,250 per year. For the period of March 27, 2020 thru December 31, 2020 the types of educational payments that are excluded from an employee's taxable compensation includes eligible student loan repayments.

What is an "eligible student loan repayment"?

Student loan payments made by the employer, whether paid to the employee or the lender, of principal or interest, on any qualified higher education loan for the education of the employee but not for the education of their spouse or dependent.

NET OPERATING LOSS CHANGES

CARES Act Provision	**Explanation**
Allows Net Operating Losses (NOLs) from 2018-2020 to be carried back up to five years	Under the 2017 TCJA, NOLs could no longer be carried back to previous tax years and could only offset up to 80% of taxable income. The CARES Act provides for a five-year carry back of NOLs for tax years 2018, 2019 and 2020. Additionally, it temporarily suspends the 80% limitation of taxable income until 2021.

What was the tax rule related to NOLs prior to the 2017 TCJA?

For tax years prior to 2018, businesses could generally carryback NOLs two years and forward twenty years to offset taxable income. Additionally, there was no limit on how much of those losses could be used to offset taxable income; meaning business owners could use NOLs to eliminate tax liability.

What changes did the 2017 TCJA make to NOLs?

Among other things, beginning in 2018, the TCJA repealed the ability to carryback NOLs two years. Also, the TCJA limited the deduction to 80% of taxable income so that NOLs cannot eliminate all taxable income in subsequent years.

How do the changes under the CARES Act affect NOLs for specific tax years?

The CARES Act substantially liberalizes the NOL rules as set out in the chart below:

	Pre 2017 TCJA	2017 TCJA Changes	CARES Act
Carryback of NOLs	2 years	No carryback	5 year carryback for 2018, 2019 and 2020 tax year
Carryforward of NOLs	20 years	Indefinite	Indefinite
Limitation	Up to 100% of taxable income	Up to 80% of taxable income	2018-2020 – up to 100% of taxable income 2021+ - up to 80% of taxable income

Does the CARES Act make any changes for non-corporate taxpayers?

Yes, under prior law, individual taxpayers could only claim business losses up to $250,000 if single, and $500,000 if married filing jointly. Any amounts in excess could be carried over to future tax years and treated as NOLs. The CARES Act temporarily modifies the loss limitation for non-corporate taxpayers so both single filers and joint filers can fully deduct excess business losses arising in 2018, 2019 and 2020. The loss limitations will apply for tax years 2021 and going forward.

How can corporate and non-corporate taxpayers benefit from these changes?

Corporate and non-corporate taxpayers should consider the potential benefits of filing an amended return allowing them to claim refunds of amounts previously paid to provide further liquidity to help them through the COVID-19 crisis.

The quickest way to obtain a refund from an NOL carryback is to request a tentative refund by filing Form 1139 (for C corporations) or Form 1045 (for individuals). The IRS is required to make a limited examination of the claim and then issue a tentative refund (or credit the refund amount against an outstanding liability) by the later of 90 days after filing Form 1139 or 1045, or 90 days from the last day of the month of the due date of taxpayer's return for the NOL year (including extensions).

What are the effective date(s) for these provisions?

The amendments relating to the modification of carrybacks apply to NOLs arising in tax years beginning after December 31, 2017 and to tax years beginning before, on or after such date to which such NOLs are carried.

The amendments made with respect to temporary suspension of the 80% limitation applies to tax years beginning after December 31, 2017 and to tax years beginning on or before December 31, 2017, to which NOLs arising in tax years beginning after December 31, 2017 are carried.

The amendments related to non-corporate taxpayers apply to tax years beginning after December 31, 2017.