

Individual Updates - Stimulus

There have been a significant number of developments that may affect your personal situation. This email provides brief information on the impact of the following items:

- Emergency Sick Leave Act
- Emergency Family and Medical Leave Act
- State Unemployment Benefits
- Individual Tax Preparation
- CARES Act (Coronavirus Aid, Relief, and Economic Security Act)

Emergency Sick Leave & Family Leave Acts (in general)

We have been evaluating the benefits available under the *Emergency Sick Leave Act* and the *Emergency Family and Medical Leave Act*. Much of the material provided through news media and other outlets may be misinforming the general population on the intention and availability of these benefits.

The laws were enacted on March 18, 2020. However, they are effective for leave incurred from April 1, 2020 through December 31, 2020. Federal funding is not available for any leave paid by your employer prior to April 1, 2020 and the mandated coverage for eligible employers is not effective until this point in time.

It is also important to note that large employers (500 or more employees) are not required to follow the Sick Leave or Emergency Family Medical Leave acts. In addition, small employers who can request an exemption if compliance would jeopardize the viability of the business as a going concern. There are other exceptions that may apply to the specific businesses in which you may work.

We encourage you to review the following documents on the US Department of Labor website which provide relatively easy to read guidance on the applicability of the benefits.

<https://www.dol.gov/agencies/whd/pandemic>

Under the Governor's order, many businesses have been forced to close. If you have been terminated (permanently, temporarily, furloughed, etc.) you are NOT ELIGIBLE for the sick leave or family leave benefits described above. You are only eligible if you are employed by the business when the law becomes effective (4/1/2020).

The acts include a short-term component and a long-term component with limited applicability and specific benefits.

Emergency Sick Leave Act (Short Term)

To be eligible for the benefit, you must be employed by a company with less than 500 employees and fall into one of the following six categories:

1. Subject to a federal, state, or local quarantine or isolation order related to COVID-19
2. Advised by a health care provider to self-quarantine due to concerns related to COVID-19
3. Experiencing symptoms of COVID-19 and seeking a medical diagnosis
4. Caring for an individual who is subject to quarantine (#1) order or been advised to self quarantine (#2).
5. Caring for a son or daughter (under the age of 18) as result of school or day care closure from COVID-19 and you are unable to work or telework
6. An employee experiencing substantially similar conditions as specified by Health and Human Services

Under these provisions, the first three categories of employees are eligible for 80 hours (10 days) of paid leave up to the lesser of your actual compensation or a maximum of \$511 per day. For the last three categories, you are eligible for a maximum of 80 hours (10 days) of paid leave at the lesser of two thirds of your compensation or a maximum of \$200 per day.

It is important to note that we believe a quarantine, isolation, or self-quarantine order is a specific medical diagnosis and is likely not impacted by the Governor's business closure or shelter in place orders. However, this has not been addressed by the federal government.

Emergency Family Medical Leave Act (Long Term)

This act will extend the coverage for the 5th category above (child who is no longer in school or daycare), for up to 50 days. This also has a similar limitation of two thirds of your actual compensation or a maximum of \$200 per day.

Please note, the extended 50-day benefit only applies to cover for the loss of

childcare or schooling. It does not apply if you have health related issues with COVID-19.

State Unemployment Benefits (General Law)

Unemployment income is available if you have been laid off or have experienced a reduction in hours. Each state has unique rules for eligibility, implementation, and the amount of funds for which you may qualify.

We also understand that some of these normal regulations surrounding unemployment have been temporarily suspended. For example, you may not need to exhibit that you are actively searching for a new job. In addition, the one week waiting period has been suspended.

Please visit the internet and FAQ's relating to each specific state. We also encourage you to consider the state's specific responses to COVID-19 related situations.

<https://www.uc.pa.gov/Pages/default.aspx>

***Note - see expanded unemployment benefits under CARES Act below.

Individual Tax Preparation

As a reminder, your personal income tax return filing deadline has been postponed until July 15 for Federal, PA, and many local jurisdictions. Our preparation of your individual return has been paused as we are interacting daily with businesses and individuals on other disaster related questions.

******CARES Act******

The CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed by the President on Friday evening, March 27, 2020. This is an enormous aid package that provides benefits to small and large businesses, expands unemployment benefits, and provides direct stimulus checks to certain individuals. Our summary below is geared towards the direct impacts to individuals.

Individual Rebates

The Act provides an advanced rebate of a 2020 tax credit in the form of a stimulus check to certain individuals. Eligibility is based upon age, filing status, and income levels on your 2018 tax return with some adjustment for 2019 returns that have already been filed. The rebate checks will take a number of weeks to calculate and be disbursed. It is anticipated to take between 4-6 weeks for receipt and will be

be disbursed. It is anticipated to take between 4-6 weeks for receipt and will be delivered by direct deposit (if you had included banking information with your 2018 return) or by check. The following rules are generally applicable:

1. \$1,200 per eligible adult, \$500 per child under age 17
2. Limited to adjusted gross income on your 2018 tax return (\$75,000 single, \$112,500 head of household, \$150,000 joint).
3. If income exceeds these thresholds, the amount will be phased out (reduced) at a rate of 5 cents per dollar of additional income. Essentially, completely eliminated with \$24,000 of additional income per adult

The rebate is considered an advance of a 2020 tax credit. Therefore, if you do NOT receive the refund this summer, and are eligible based upon your actual 2019 taxable income and filing status, you will be able to claim the eligible amount as a credit on your 2020 tax return (filed in April 2021).

However, if you receive a LARGER refund than you would be eligible to receive, you will NOT need to return the money. In addition, the rebate is NOT considered to be taxable income.

Additional information is available through the attached link to a US Senate Committee on Finance article on the individual tax rebate.

<https://www.finance.senate.gov/chairmans-news/cares-act-recovery-check-faq>

(***Note -If your bank account changed from 2018 or you desired to use a different account, there is currently NO WAY to update this information. The IRS will mail correspondence 15 days after distribution of the funds indicating the methodology of distribution.)

Expanded Unemployment Benefits

Certain individuals may not typically be eligible for unemployment income. For example, individuals without significant earnings history such as people who are only recently beginning their work history (college students), employees in certain nonprofit organizations who may typically be exempt from unemployment legislation (private school or church affiliated organizations), self-employed individuals and independent contractors, and potentially officers of closely held corporations.

Under the Pandemic Unemployment Assistance, these individuals may be eligible to file an unemployment claim with the state for complete or partial unemployment or an inability to work. These claims are subject to certain rules. We recommend reviewing your state's unemployment websites for clarity and begin the unemployment claim process.

Expanded Access to Retirement Funds

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Many of you may have 401(k)'s or IRA's or other retirement funds. Typically, these funds cannot be accessed until you have reached age 59 ½ without penalty. The CARES Act expands accessibility to these funds. HOWEVER, usage of those funds will eventually be taxable. Access to these funds may require certain certifications that you have been impacted by COVID-19.

- You may withdraw UP TO \$100,000 of funds from a retirement account.
 - The transaction will be exempt from the 10% early withdrawal penalty
 - You will pick up the income as taxable income over the next three years (2020-2022)
 - If you RETURN the money to the account within three years, then the originally withdrawal would be considered tax free.
- Loans from 401(k) and other eligible plans increased from \$50,000 to \$100,000
 - Repayment deferred for up to one year
- Required Minimum Distributions are NOT required for 2020
- At this point, if you have already taken your RMD for 2020, there is no guidance on if those funds could be returned.

Charitable Contributions

You may take an "above the line deduction" for up to \$300 for 2020. While not a large amount, this is a small benefit for any individual who files a tax return and does not itemize their deductions. Please keep charitable receipts for any individual amount exceeding \$249, or a cancelled check for smaller amounts.

For larger donations, the normal limitation of 60% of your adjusted gross income has been lifted. You would be able to take an itemized deduction for up to 100% of your income for cash contributions. (Please note, contributions of capital gain property or contributions to a donor advised funds remain limited).

Student Loan Deferment

Individuals with certain types of FEDERAL student loans will receive a deferment of required payments through September 30, 2020. During this period of time, no interest will accrue on the outstanding balance. Impacted individuals will receive a notice (as required by the law) within the next 15 days that describe your eligibility. You will also receive a series of notices when repayment is schedule to resume. (Federal loans under wage garnishments are also suspended during this time.)

Please note, this does NOT impact private student loans. In addition, it is not forgiveness of the obligation, but is allowing you to delay making payments until after September 30, 2020.

Federal Mortgage Forbearance

If you have a mortgage that may be under some form of Federal loan program (FHA, etc.), you may be able to request forbearance (delay) on making payments for up to 180 days. You must exhibit financial hardship. Contact your mortgage carrier for assistance.

Conclusion

There is a significant amount of information reflected above. Please be aware of the general impact and benefits that may be present. We anticipate you will receive notification directly from any lender. However, this is also a period when

SCAMMERS and FRAUD attempts will intensify. Please use due diligence in reviewing any information you may receive.

Sincerely,

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