

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

April 2020

On March 27, 2020, the new CARES Act was signed into law. This unprecedented stimulus bill offers help to many in the midst of the Coronavirus Pandemic. We have compiled a list of some anticipated Q&As that we hope will provide preliminary information and guidance. Please reach out to your financial advisor to discuss your specific situation and potential planning strategies that may be appropriate.

FOR INDIVIDUALS AND FAMILIES

How much will I receive as direct payment from the stimulus package?

This will depend on your 2018 and 2019 income, but if you are under the threshold of \$75,000 as an individual, you will receive a check for \$1,200. For married couples filing jointly, this means \$150,000 and, if you have children, you will receive an extra \$500 per child. After the \$150,000 threshold your benefit will be reduced by \$5 for every additional \$100 of income.

Is there anything I need to do to receive this benefit?

As far as we understand, no. So long as you filed a return in 2018 or 2019 and are under the limits stated above, then you will receive the benefit the way you would your tax refund in any year. If the IRS does not have a bank account on file for you then you will likely receive a check at your legal address.

What if I haven't filed my 2019 tax return yet?

We recommend that you speak with a tax professional at your earliest convenience. Based on what we know, it would appear that the IRS will look at your 2018 tax return and if you haven't filed a return in either 2018 or 2019 then the IRS will look at your historical Social Security earnings.

By when do I need to file my 2019 tax return?

On March, 18th the Department of the Treasury and the IRS issued a notice which postponed the due date for federal income tax payments from April 15, 2020 to July 15, 2020. However, this does not apply to state tax return guidelines so we encourage you to speak with a tax professional.

Should I file my 2019 tax return now?

Especially if you are not expecting a refund, there is a case to be made for holding off on your 2019 return -- if your 2018 income is below the threshold but your 2019 income will put you over. But we cannot make a general determination for everyone on this and encourage you to speak with your tax professional.

Does the extended July timeline also apply to payment due or just filing of my return?

According to the notice, the July extension applies also to payment of any taxes owed. This applies to individual, trust, estate, association, company or corporation returns. From April 15th through July 15th, there is no additional interest or penalty applied to your payment. Interest and penalty will begin to accrue on July 16th, 2020.

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

April 2020

What if I need to make an early withdrawal from a qualified retirement plan (401k, 403b, IRA, Roth IRA)?

Previously, there was a 10% penalty on early withdrawals (prior to age 59 ½) from a qualified retirement plan. Right now, the 10% penalty is waived on withdrawals up to \$100,000. This applies to distributions made during the 2020 calendar year to an individual (or the spouse of an individual) diagnosed with COVID-19 with a CDC approved test or to an individual who experiences adverse financial consequences as a result of quarantine, business closure, layoff, or reduced hours due to the virus.

Above, you mention the penalty for early withdrawal being waived, but what is the impact of the additional income from the distribution?

Previously, any distribution taken from a traditional retirement plan was added to your Adjusted Gross Income (AGI) for the year in which it was taken. Based on the guidelines, any distribution taken for the reasons listed above are subject to tax over a 3-year period and taxpayers may recontribute the withdrawn amounts to a qualified retirement plan without regard to annual caps on contributions if made within those 3 years.

What about my required minimum distribution (RMD) for 2020?

All required minimum distributions for 2020 are waived regardless of your situation.

Should I take my required distribution for 2020 anyway? Can I convert the amount that would have been my RMD to a Roth IRA?

This is a potential strategy, especially in light of the recent stock market decline, which makes it more desirable from a tax standpoint. Please remember that additional income can potentially increase your Medicare premiums. We recommend that you speak directly to your financial advisor and consult with your tax preparer.

How will my charitable contributions be treated?

You will be allowed to make an above-the-line deduction of up to \$300 for charitable cash contributions made. This allows you to claim a deduction even if you do not itemize. Also, individuals can claim an unlimited itemized deduction for a charitable cash contribution which is normally limited to 60% of AGI.

Is there any stimulus relief for Student Loan Borrowers?

Student loan borrowers have the opportunity to suspend required payments on Federal student loans through September 30, 2020. During this period, no interest will accrue on this debt. Consequently, while required payments are suspended, voluntary payments are not prohibited. By default, payments will continue unless individuals take proactive measures to contact their loan provider and actually pause payments. Also notable is that this period of time will continue to count towards any loan forgiveness programs. To see if you qualify for forgiveness of your Federal student debt, you should review the Public Service Loan Forgiveness program for your specific circumstances.

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

April 2020

FOR THOSE WHO WERE RECENTLY LAID OFF

I was just laid off, now what do I do?

Individuals who have been laid off, furloughed, or have experienced a reduction in work hours all qualify for unemployment (or partial unemployment) insurance. Unemployment insurance is administered by your state and so we encourage you to check your state's website to learn how to apply. We encourage you to apply as early as possible. Some states have a required wait period but we have seen some of those periods waived.

Aside from my state's unemployment benefit, is there anything else I'm entitled to?

First, we should mention that your normal state benefits may have now been expanded by 13 weeks; that is from 26 weeks to 39 weeks. In addition to normal state benefits, you will be entitled to an additional \$600 per week up to four months, ending July 31st.

Do I need to apply for the additional federal benefit?

At this point, we don't believe there is anything you need to do other than filing with your state. We believe that filing with your state will also start the weekly \$600 benefit. If we find additional information we will be sure to pass it along.

Are my unemployment benefits taxable?

Yes, your unemployment benefit will need to be reported on your federal and state returns. Be on the lookout for IRS Form 1099-G which will show unemployment compensation in addition to other refunds, credits or offsets.

What if I work for a non-profit, am I entitled to unemployment benefits?

During this current period, you are eligible for your state's unemployment benefits in addition to the \$600 weekly unemployment compensation supplement. Previously, unemployment benefits for nonprofits' employees needed to be reimbursed by the nonprofit to the state, but right now the federal government is paying 50% of the reimbursement.

FOR EMPLOYEES

I'm still employed, but have been unable to go to work under the current situation.

What benefits am I eligible for?

Under the Families First Coronavirus Response Act (FFCRA), certain employers (less than 500 employees) are required to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19, as follows:

- Two weeks of paid sick leave at the employee's regular rate of pay where the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order) and/or experiencing symptoms and seeking a diagnosis.
- Two weeks of paid sick leave at 2/3 of the employee's regular rate of pay because the employee is unable to work due to a need to care for an individual subject to quarantine, or to care for a child whose school is closed or unavailable for reasons related to COVID19.
- Up to an additional 10 weeks of paid expanded family and medical leave at 2/3 the employee's regular rate of pay where an employee who has been employed for at least

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

April 2020

30 calendar days is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID19.

FOR SELF-EMPLOYED INDIVIDUALS

As someone who is self-employed, do I now qualify for unemployment benefits?

Self-employed individuals may be covered depending on their ability to show recent earnings. Previously, you were likely not covered by your state's unemployment benefits because you did not pay into the unemployment compensation system. Under the new stimulus package, there is the Pandemic Unemployment Assistance program which will now cover you. This will give you \$600 per week in benefits in addition to the state benefit.

What if I'm recently self-employed and can't show recent earnings?

Self-employed workers who did not have recent earnings would be eligible for Job Entrant compensation which is \$300 per week instead of \$600 per week.

If I'm self-employed, what state benefits am I entitled to?

Self-employed individuals who are unable to work due to the COVID-19 emergency and able to show recent earnings, will be eligible to receive compensation payments equal to one quarter of their state's average weekly benefit amount. Again, this is in addition to the \$600 weekly benefit.

FOR BUSINESS OWNERS

What am I required to offer my employees?

Certain employers (up to 500 employees) are required to provide their employees with paid sick leave or expanded family and medical leave. These requirements are listed above under the employees' section.

Will offering these benefits to my employees cost me anything?

Covered employers qualify for dollar-for-dollar reimbursement through tax credits for all qualifying wages paid under the FFCRA (Families First Coronavirus Response Act). Qualifying wages are those paid to an employee who takes leave under the Act for a qualifying reason. Tax credits also extend to amounts paid or incurred to maintain health insurance coverage.

Are there ways for me to free up my cash flow?

The CARES Act defers the payment of payroll taxes. Payroll taxes due from the period beginning on the date the CARES Act is signed through December 31, 2020 are deferred. Half of the deferred payroll taxes are due on December 31, 2021, with the remainder due on December 31, 2022.

How does the CARES Act impact Net Operating Losses?

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

April 2020

The CARES Act allows for a five-year carryback of net operating losses (NOL) arising in 2018, 2019 or 2020 by a business. Businesses can amend or modify tax returns for tax years dating back to 2013. The CARES Act also eliminates the limitation rules applicable to sole proprietors and pass-through entities allowing them to take advantage of the NOL carryback.

As a small business owner, what loans are available to me?

There are two types of loan programs available.

1. The first is the Paycheck Protection Program (PPP). PPP loans will be issued by banks and credit unions, and are guaranteed by the Small Business Administration (SBA). These loans are available to all businesses, including non-profits, veterans' organizations, Tribal businesses, sole proprietorships, self-employed individuals, and independent contractors with 500 or fewer employees. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries. The maximum loan size for borrowers is capped at the lesser of 2.5 times the average monthly payroll costs (with a look-back of one year or relevant period for seasonal businesses), or \$10 million. No personal guarantees or collateral are required. Proceeds may be used for payroll, group health benefits, salary and employee commissions, interest on mortgages, rent, utilities, and interest on debt incurred before February 15, 2020.
2. The second program available is the SBA's Economic Injury Disaster Loan (EIDL) program. Borrowers may apply directly to the SBA for EIDLs (<https://covid19relief.sba.gov/#/>). The EIDL program is designed for businesses impacted by COVID-19 and allows for the borrowing of up to \$2MM @ 3.75% for for-profit, and 2.75% for non-profit entities, over 30 years. You should discuss with your banker or financial advisors if an EIDL loan or a PPP loan is best suited for your individual situation.

What portion of a PPP loan can be forgiven?

Per the most recent SBA guidance, the PPP program features provisions for loan forgiveness. Borrowers will owe money when their loan is due if the loan amount is used for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Borrowers will also owe money if they do not maintain staff and payroll.

- Number of Staff: The loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: The loan forgiveness will also be reduced if salaries and wages are decreased by more than 25% for any employee that earned less than \$100,000 annualized in 2019.
- Re-Hiring: Borrowers have until June 30, 2020, to restore their full-time employment and salary levels for any changes made between February 15, 2020, and April 26, 2020.

We hope that this Q&A is useful for your current needs. We will continue to provide updates as more information becomes available. In the meantime, we advise you to contact your financial advisor to discuss your specific circumstances.

Investment Products & Services

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

April 2020

People's United Advisors, Inc., is a registered investment adviser and a wholly-owned subsidiary of People's United Bank, N.A.

- **Not Insured by FDIC or any Federal Government Agency**
- **May Lose Value**
- **Not a Deposit or Guaranteed by a Bank or any Bank Affiliate**

This is a publication of People's United Advisors, Inc., ("PUA").

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed.

This presentation is for informational purposes only and should not be construed as an offer to buy or sell any financial instruments.

Due to various factors, including changing market conditions, the content of this presentation may no longer be reflective of current opinions, positions, or recommendations. Moreover, you should not assume that any discussion or information contained herein serves as the receipt of, or as a substitute for, personalized investment advice from PUA.

Please remember to contact PUA if there are any changes in your financial situation or investment objectives or if you wish to impose, add, or modify any reasonable restrictions to the management of your account.

Information pertaining to PUA's advisory operations, services, and fees is set forth in PUA's current disclosure statement, a copy of which is available from PUA upon request.