CARES ACT SPELLS VIRUS RELIEF FOR TAXPAYERS

By Tom Bassett, J.D., CPA

April brings a multitude of IRS tax changes that could spell relief for many American taxpayers during the coronavirus outbreak. For starters, if you haven't filed your 2019 tax return that would have normally been due on April 15, you can rest easier. The IRS has extended the tax-filing deadline for 2019 federal income tax returns from April 15 to July 15. That's just one of the questions Commerce Trust Company East Region Tax Manager Tom Bassett, J.D., CPA, addresses in his informative Q&A on deferred IRS tax deadlines and other financial matters in the recently passed Coronavirus Aid, Relief and Economic Security Act, or CARES Act.

IT LOOKS LIKE THE CARES ACT PULLED TOGETHER ALL THE IRS CHANGES IN THE TAX GUIDANCE BULLETINS OF THE PAST WEEK. HOW DID IT SHAKE OUT FOR TAXPAYERS?

The CARES Act does consolidate the rules in a helpful way for the most part. The number one takeaway is that individuals and trusts are considered "affected taxpayers" due to the coronavirus, and as such get varying forms of relief. The headline is that those with a filing obligation for a federal income tax return on April 15 or a payment due on April 15 are automatically postponed to July 15. You don't need to file an extension for your individual income tax return or trust return. These are the federal rules. Chalk one up for Congress.

Furthermore, there is no dollar limitation on the amount of either balance due or first-quarter estimates that you can postpone to July. The prior notice had a dollar cap on that. I think we should all stay tuned in this dynamic environment as the IRS may continue to publish guidance and expand on the definitions of what acts can be postponed from April to July.

ARE THERE SOME OTHER DEADLINES WE SHOULD BE AWARE OF?

Yes. Notice 2020-20 pushes gift tax returns and payments from April 15 to July 15. So, if you have a gift tax return because you made gifts last year, the deadline has been extended to July 15. However, estate tax return deadlines have not been moved. If someone passed away roughly nine months ago and their estate tax return is due now or in the next month or two, you would still need to either file the IRS Form 706 or file an extension for that Form 706.

FOR THOSE OF US MAKING CONTRIBUTIONS TO AN IRA, A COMPANY RETIREMENT PLAN, OR HEALTH SAVINGS ACCOUNT, WHEN IS THE NEW DEADLINE?

The IRA deadline is now July 15 for contributions with respect to last year, 2019. The extension of the tax-filing deadline to July 15 also postpones the deadline for making 2019 prior-year contributions to traditional and Roth IRAs from April 15 to July 15. This is excellent news for retirement savers, giving them extra time to get their prior-year contributions in place. This doesn't absolve you of your obligation to make it crystal clear on your return – be sure to clearly indicate to the IRA that the amounts contributed are 2019 prior-year contributions.

ARE THERE ANY DIFFERENCES IN STATE RETURN DEADLINES IN MISSOURI, KANSAS, OR ILLINOIS?

Yes. Missouri has conformed with the CARES Act, meaning your income tax returns and any payments that would have been due April 15 are automatically postponed to July 15. Illinois and Kansas have not quite conformed, and estimated payments, for example, would be due April 15. Your first-quarter estimated payment for 2020 in Missouri is due in July. In Illinois and Kansas, it's due April 15th.

WHAT IF A BUSINESS HAS A FILING DUE DATE ON MAY 15, OR JUNE 15, OR SOME OTHER DATE BESIDES APRIL 15?

Businesses are included in the definition of the type of "affected" taxpayer that would get relief under the CARES Act. But again, it's specifically limited to returns and payments that are due April 15. So, a calendar year S corporation, for example, with a return that was due in March is not affected by this. In other words, any kind of a fiscal year business that would have returns due May 15, or June 15 are not affected by this. You still have those filing deadlines and if you have any payments, those same payment deadlines are in force. The same goes for payroll taxes. There's been no relief for that. So, any payroll tax filings are still due on their normal schedules and so forth.

WHAT OTHER CARES ACT CHANGES HAVE OCCURRED?

The CARES Act had a number of fiscal stimulus pieces baked into it, and it has some material income tax changes, too. So let's focus on the bigger changes regarding tax-related issues.

Starting with Required Minimum Distribution (RMDs) rules, taxpayers came away with a waiver, which applies to company savings plans and IRAs, including both traditional and Roth inherited IRAs. The RMD waiver can help you if you would have had to take an RMD this year based on much higher end-of-year account values from 2019. Now you can completely sidestep this tax bill.

Moreover, the CARES Act affects 2019 RMDs for those who reached age 70 ½ in 2019 and have a required beginning date of April 1, 2020. Any 2019 RMD amount remaining and not already withdrawn by January 1, 2020 is waived.

Finally, relative to IRAs, the CARES Act also waives the 10% early distribution penalty on distributions of up $100,000 from IRAs and plans for individuals who are affected by the coronavirus rules. "Affected" in this instance means you receive a positive result on a test for one of two different coronavirus strains, or your spouse or a child does, you get laid off, etc. The tax would remain due on pre-tax distributions, but could be spread evenly over three years, and the funds could be repaid anytime during that three-year period.

*Always consult with your CPA and professional advisor on matters involving taxes.

Commerce Trust Company
Wealth | Investments | Planning®

1-855-295-7821 | commercetrustcompany.com

ABOUT THE AUTHOR

THOMAS BASSETT, J.D., CPA

Vice President, Tax Manager - East Region

Tom has managed the East region tax team for Commerce Trust Company since joining in 2012. He is responsible for the services his department provides to clients of Commerce Trust in the St. Louis, Springfield, Belleville, Peoria, and Bloomington offices. In addition to tax planning and consulting services to that client base, his group annually prepares more than 120 returns for charitable trusts and private foundations and more than 350 returns for individual, estate, gift, trust, and partnership clients of Commerce Trust. Tom also co-manages Commerce Trust's annual tax return preparation process, including reviewing and maintaining Commerce Trust's accounting system and the integration of this system with the organization's external vendor. Tom attended Washington University in St. Louis, earning two bachelor of arts degrees in physics and psychology, a juris doctorate, a master of business administration, and a master of science in business administration. He is a member of the Missouri Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Missouri Bar Association, The Bar Association of Metropolitan St. Louis, the American Association of Attorney-Certified Public Accountants, and the Estate Planning Council of St. Louis. Tom has chaired the audit, investment, and budget subcommittees of the Finance Committee of The Bar Association of Metropolitan St. Louis for several years.