What you need to know about the CARES Act

The coronavirus has affected the economic lives of people across the United States. In response to the need of so many for financial assistance, Congress adopted and the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The Act includes a variety of provisions designed to provide relief to individuals and businesses affected by the coronavirus. This article highlights the programs that may provide relief for individuals, couples, and families.

**Unemployment insurance system expanded**

The Act increased unemployment assistance and insurance (UI) for private and public-sector employees and other workers who've been laid off or impacted by the coronavirus and the economic downturn. The Act provides an additional $600 per week in compensation for many individuals who become entitled to benefits under their state’s unemployment insurance program. The Act also provides an additional 13 weeks of state unemployment insurance benefits, which become available after regular benefits are exhausted. Additionally, the Act expanded the pool of unemployed workers eligible to receive benefits, including self-employed workers, independent contractors and part-time workers.

**Federal Student Loans: Interest waived and payments suspended**

Payments under federal student loans that are held by the U.S. Department of Education are suspended between March 13, 2020, and September 30, 2020. The Act also provides for no interest to accrue on U.S. Department of Education-held federal student loans during the period of suspension. The missed months of payments are deemed to have been paid for purposes of any loan forgiveness program or loan rehabilitation program for which the borrower would otherwise qualify. You can find a list of student loan servicers for loans held by the U.S. Department of Education on their website. If you do not know who your servicer is or how to contact them, you can contact the U.S. Department of Education through their website or at 800 433 3243.

**Federal tax filing deadline delayed**

The IRS has postponed the deadline to file 2019 federal income tax returns from April 15 to July 15, 2020. This also extends the deadline for depositing 2019 contributions to IRAs, Health Savings Accounts (HSAs) and Archer Medical Savings Accounts (MSAs) to July 15, 2020.

**Direct payments to people**

The Act provides for payments for many Americans in the amount of $1,200 per adult, $2,400 per couple, plus $500 per qualifying child under the age of 17. Amounts are reduced for those with higher incomes and are phased out based on adjusted gross income (AGI) above $150,000 in the case of a joint return, $112,500 in the case of a head of household, and $75,000 for all other individuals.

**Paid sick & family leave**

The Act requires private employers with fewer than 500 employees and certain public employers to provide two weeks (up to 80 hours) of paid sick leave at the employee’s regular rate of pay, not to exceed $511 per day and $5,110 in the aggregate if the employee is unable to work because of quarantine or experiencing coronavirus symptoms and seeking medical diagnosis or not to exceed $200 per day and $2,000 in the aggregate if an employee is caring for an individual who is quarantined or experiencing coronavirus symptoms and is seeking medical diagnosis. The Act also provides up to an

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additional 10 weeks of paid expanded family medical leave at two-thirds the employee’s regular rate of pay if the employee is caring for a child whose school or child-care provider is closed or unavailable for reasons related to coronavirus. The total payment per employee for this ten-week period is capped at $200 per day and $10,000 in the aggregate, for a total of no more than $12,000 when combined with two weeks of paid sick leave.

Qualified retirement plan provisions
The Act includes provisions for certain retirement plans that are optional and may be available if your employer’s 401(k) plan adopts them. The provisions permit additional early withdrawals that can be repaid over three years for coronavirus-related reasons, increase the available loan amount for coronavirus-related loans, and delay certain loan repayment dates for a year for coronavirus-related reasons. The ACT also waives required minimum distributions (RMDs) for 2020 and first time 2019 RMDs that were required to be taken by April 1, 2020. (For more information about these provisions, including the coronavirus-related eligibility requirements, visit go.ml.com/MerrillCARES or log onto your Benefits OnLine® account at benefits.ml.com.)

Health accounts
The Act amends the applicable tax code provisions related to “qualified medical care expenses” under HSAs (Health Savings Accounts), Archer MSAs (medical savings accounts), FSAs (health flexible spending accounts), and HRAs (health reimbursement accounts) to permit distributions for or reimbursements of expenses incurred for over-the-counter (OTC) drugs without a prescription. The Act also expands the definition of qualified medical care expenses to include certain menstrual care products.

The Act amendments to the applicable tax code provisions are retroactively effective to FSAs and HRAs. Consequently, these changes apply to expenses incurred on or after January 1, 2020. These changes also apply to distributions from HSAs or Archer MSAs on or after January 1, 2020. While it could take several months for pharmacies and other stores to update their systems to apply these changes to account-related debit card transactions for OTC items and menstrual products, an individual can pay at the point of purchase and then seek reimbursement from his or her HSA, Archer MSA, FSA, or HRA.

In addition, the IRS tax filing extension means you have until July 15 to deposit your HSA contributions for the 2019 tax year. The 2019 maximum contribution limits still apply.

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