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April 3, 2020

Dear Client:

We hope that you are keeping yourself, your loved ones, and your community safe from COVID-19 (commonly referred to as the Coronavirus). Accountants are currently considered essential services so our office is open our normal tax season hours as we prepare tax returns and try to advise our clients the best we can through this difficult time. For our client's safety, we have discontinued meetings in our office until the Stay-At-Home order is lifted. If you would like to drop off your tax information, we have an outside locked drop box next to our back door and a drop box inside the front door. You are also welcome to use our portal services or to mail us your tax documents if you would prefer.

As you may already know, the federal and most state governments, including NYS, have delayed the April 15th deadline until July 15th. That means that your tax return does not have to be filed until July 15th. In addition, any tax payments due April 15th, including your first quarter 2020 estimated tax payment, are also not due until July 15th.

You may be wondering about some of the recent tax changes meant to help everyone coping with the Coronavirus fallout. To follow is an update on the tax-related provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress's gigantic economic stimulus package that the President signed into law on March 27, 2020.

Recovery rebates for individuals. To help individuals stay afloat during this time of economic uncertainty, the government will send up to \$1,200 payments to eligible taxpayers and \$2,400 for married couples filing joint returns. An additional \$500 payment will be sent to taxpayers for each qualifying child dependent under age 17.

Rebates are gradually phased out, at a rate of 5% of the individual's adjusted gross income over \$75,000 (singles or marrieds filing separately), \$122,500 (head of household), and \$150,000 (joint). All recipients who are under the phaseout threshold will receive the same amounts. The rebates are not available to nonresident aliens, to estates and trusts, or to individuals who themselves could be claimed as dependents.

The rebates will be paid out in the form of checks or direct deposits. Most individuals won't have to take any action to receive a rebate. IRS will compute the rebate based on a taxpayer's tax year 2019 return (or tax year 2018, if no 2019 return has yet been filed). If no 2018 return has been filed, IRS will use information for 2019 provided in Form SSA-1099, Social Security Benefit Statement, or Form RRB-1099, Social Security Equivalent Benefit Statement.

Rebates are payable whether or not tax is owed. The rebates will be tax free.

Waiver of 10% early distribution penalty. The additional 10% tax on early distributions from IRAs and defined contribution plans (such as 401(k) plans) is waived for distributions made between January 1 and December 31, 2020 by a person who (or whose family) is infected with the Coronavirus or who is economically harmed by the Coronavirus. Penalty-free distributions are limited to \$100,000, and may, subject to guidelines, be re-contributed to the plan or IRA. Income arising from the distributions is spread out over three years unless the employee elects to turn down the spread out. Additionally, defined contribution plans are permitted additional flexibility in the amount and repayment terms of loans to employees who are qualified individuals.

Waiver of required distribution rules. Required minimum distributions that otherwise would have to be made in 2020 from defined contribution plans (such as 401(k) plans) and IRAs are waived. This includes distributions that would have been required by April 1, 2020, due to the account owner's having turned age 70 1/2 in 2019.

Charitable deduction liberalizations. The CARES Act makes four significant liberalizations to the rules governing charitable deductions:

(1) Individuals will be able to claim a \$300 above-the-line deduction for cash contributions made, generally, to public charities in 2020. This rule effectively allows a limited charitable deduction to taxpayers claiming the standard deduction.

(2) The limitation on charitable deductions for individuals will be 100% of modified adjusted gross income for 2020. No connection between the contributions and COVID-19 activities is required.

Exclusion for employer payments of student loans. An employee currently may exclude \$5,250 from income for benefits from an employer-sponsored educational assistance program. The CARES Act expands the definition of expenses qualifying for the exclusion to include employer payments of student loan debt made before January 1, 2021.

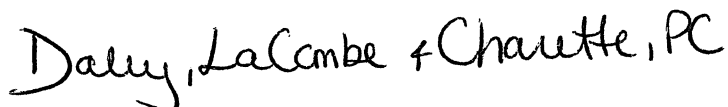
Break for remote care services provided by high deductible health plans. For plan years beginning before 2021, the CARES Act allows high deductible health plans to pay for expenses for tele-health and other remote services without regard to the deductible amount for the plan.

Break for nonprescription medical products. For amounts paid after December 31, 2019, the CARES Act allows amounts paid from Health Savings Accounts and Archer Medical Savings Accounts to be treated as paid for medical care even if they aren't paid under a prescription. For reimbursements after December 31, 2019, the same rules apply to Flexible Spending Arrangements and Health Reimbursement Arrangements.

Ongoing information on the IRS and tax legislation response to COVID- 19 can be found at <https://www.irs.gov/coronavirus> .

We would be happy to discuss this further or answer any questions you may have about the above information or any other matters, related to COVID-19 or not.

Sincerely,

A handwritten signature in black ink that reads "Daley, LaCombe & Charette, PC". The signature is written in a cursive, flowing style.

Daley, LaCombe & Charette CPA's