

# COVID-19 UPDATE

## The Coronavirus Aid, Relief and Economic Security (CARES) Act: What You Need To Know Now

The CARES Act was signed by President Donald Trump on March 27, 2020, and was expanded and amended by the Paycheck Protection Program and Health Care Enhancement Act (CARES 2 Act), which was signed by President Donald Trump on April 24, 2020. This document provides a general summary of the provisions in Sections I-IV of the CARES Act, the CARES 2 Act and the Families First Coronavirus Response Act (FFCRA) that apply to individuals. The CARES Act and CARES 2 Act include a number of other provisions for business owners to help employers maintain cash flow and keep employees on the payroll. **Here are highlights of what the CARES Act, CARES 2 Act and FFCRA mean to you as an individual:**

### RECOVERY REBATE

**PURPOSE:** Provide emergency funds to help those who may have been affected by COVID-19.

**HOW DOES IT WORK?** All U.S. resident taxpayers with adjusted gross income under \$75,000 (\$112,500 for head of household and \$150,000 married), who are not the dependent of another taxpayer and have a work-eligible Social Security Number, are eligible for the full \$1,200 (\$2,400 married) rebate. They are also eligible for an additional \$500 per child under 17. A family of four may be eligible to receive up to \$3,400. Direct deposit will occur for taxpayers who have previously paid taxes or received refunds electronically through the IRS. Other taxpayers should expect a check to be mailed to them at the last address shown on their 2018 tax return (or 2019 return, if it has already been filed).

**WHAT ELSE SHOULD I KNOW?** For taxpayers with adjusted gross income over \$75,000 (\$112,500 for head of household and \$150,000 married), the rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children. For a typical family of four, the amount is completely phased out for those with adjusted gross incomes exceeding \$218,000. Social Security beneficiaries will be eligible based on their tax returns or Social Security Administration information.

**NEXT STEP:** No additional action is required for people eligible for this rebate.

### RETIREMENT PLAN AND IRA WITHDRAWALS

**PURPOSE:** Provide a way for people affected by the COVID-19 pandemic to access their retirement savings.

# COVID-19 UPDATE

**HOW DOES IT WORK?** Early withdrawals of up to \$100,000 can be made without the usual 10% penalty or the typical 20% federal withholding tax. Money withdrawn can be put back into the plan at a later date, not subject to ordinary contribution maximums.

**WHAT ELSE SHOULD I KNOW?** Any tax-deferred funds withdrawn from a retirement plan *are still considered taxable income*. Taxes on the amount distributed can be spread over a three-year period (instead of all of the distribution being taxed in the year it is withdrawn, which is the norm), or the distributions can be repaid over the same three year period, in which case the distributions would not be taxable.

**NEXT STEP:** Talk with your financial advisor or retirement plan specialist if you are considering this option, as any early withdrawal from a retirement plan should be carefully considered.

## RETIREMENT PLAN LOANS

**PURPOSE:** Provide a way for people affected by the COVID-19 pandemic to borrow more money from their retirement savings than was previously allowed.

**HOW DOES IT WORK?** Retirement plan participants can borrow up to \$100,000 or 100% of their balance, whichever is lower. (The previous loan limit was \$50,000, and participants could not borrow more than 50% of their balance.)

**WHAT ELSE SHOULD I KNOW?** For loans made from the date the CARES Act was enacted (March 27, 2020) through Dec. 31, 2020, payments are delayed for a year. That year does not count toward the maximum 5-year repayment period for retirement plan loans. IRA loans were not permitted prior to the CARES Act, and are still not allowed.

**NEXT STEP:** Talk with your financial advisor or retirement plan specialist if you are considering this option, as any early withdrawal from a retirement plan should be carefully considered.

## TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS (RMD)

**PURPOSE:** Help retirees avoid selling distressed investments out of their portfolio to fund the annual required minimum distribution.

**HOW DOES IT WORK?** Typically, retirees have to withdraw an annual minimum amount from their tax-deferred retirement account. This includes employer sponsored plans as well as IRAs. This requirement applies to people starting at either age 70 ½ or age 72, depending on their birthdate. For 2020, those required minimum distributions (“RMD”) are waived, which means the money can be left in the account if the retiree doesn’t need the cash right now.

**WHAT ELSE SHOULD I KNOW?** Retirees can still take their RMD, they are just not required to for 2020.

# COVID-19 UPDATE

**NEXT STEP:** If your RMD is set up to pay out automatically and you would like to stop it, contact your plan administrator.

## STUDENT LOAN RELIEF

**PURPOSE:** Help people with certain kinds of student loans who have unexpected financial challenges due to the COVID-19 crisis.

**HOW DOES IT WORK?** The CARES Act temporarily pauses payments – including principal and interest – on most federally held student loans through Sept. 30. Interest will not accrue on these loans during this time period. The Act also temporarily suspends involuntary collections, including wage garnishment and the reduction of tax refunds and other federal benefits, for qualifying borrowers who are in default.

**WHAT ELSE SHOULD I KNOW?** The majority of federal student loan borrowers are included, but it's important to know that certain types of older federal student loans are *not* included in this payment pause, specifically, Perkins loans and commercially held Federal Family Education Loans (FFEL). These are older loans, but many borrowers are still repaying them. This automatic loan payment pause does *not* apply to private student loans.

**NEXT STEP:** If you have student loans and you're not sure what type they are, contact your loan servicer(s). Even if you have a student loan payment that is not automatically paused, many services offer options to postpone payments.

## FAMILIES FIRST CORONAVIRUS RESPONSE ACT (FFCRA), PUBLIC LAW 116-127, AS AMENDED BY THE CARES ACT SECTION 3601-3611. (EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT LEAVE AND EMERGENCY PAID SICK LEAVE ACT LEAVE)

### PURPOSES:

**Employee Leave:** The FFCRA requires covered employers to provide certain employees with (i) emergency family and medical leave (Emergency Family Medical Leave Expansion Act) or (ii) paid sick leave for specified reasons related to COVID-19 (Emergency Paid Sick Leave Act).

**Employer Funding Options:** The FFCRA also provides qualifying businesses with tax credits to fund emergency paid sick and family leave for employees affected by the COVID-19 crisis as set out in the FFCRA as Amended by the Cares Act. See also: PAYCHECK PROTECTION PROGRAM.

**Effective Dates:** The Acts are effective from April 1, 2020 through December 21, 2020.

**Coverage:** The FFCRA generally applies to employers with less than 500 employees. The Secretary of the Department of Labor has the authority to exempt small businesses with fewer than 50 employees from the Emergency Family and Medical Leave Expansion Act when the

# COVID-19 UPDATE

imposition of such requirements would jeopardize the viability of the business as a going concern. See DOL Regulations regarding requirements for small business exemptions.

## HOW DOES IT WORK?

### EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT (EFMLEA):

#### **Eligibility.**

**Employment Requirement.** Employee must have been employed by employer for at least thirty (30) calendar days.

**COVID19 Emergency.** In order to qualify for Emergency Family and Medical Leave Expansion Leave, an employee must also have a qualifying need related to an emergency declared by a federal, state, or local authority with respect to COVID- 19.

**Qualifying Need.** This means the employee is unable to work (or telework) due to a need for leave to care for the employee's son or daughter under 18 years of age because: the school or place of care has been closed, or the childcare provider of such son or daughter is unavailable.

**Leave.** Employees may be eligible for up to 12 weeks of Emergency Family Medical Leave Act Expansion Leave for a qualifying reason.

#### **Pay.**

**First Ten Days (TWO WEEKS) (Substituted or Unpaid).** The first ten days may be paid or unpaid leave; employees may opt to use (substitute) any accrued paid time off, vacation time, sick leave, or other paid leave during this initial period (including sick leave under the Emergency Paid Sick Leave Act below).

**After Ten Days (TWO WEEKS) (Paid at Partial Rate).** After the two weeks, Emergency Family and Medical Leave Expansion grants 10 weeks of paid leave for a qualifying reason at two-thirds the employee's regular rate of pay for a qualifying employee, who has been employed for at least 30 calendar days.

**Pay Caps.** In no event, shall the employee's paid leave exceed \$200 per day and \$10,000 in the aggregate.

### EMERGENCY PAID SICK LEAVE ACT (EPSLA):

The Emergency Paid Sick Leave Act requires employers to provide immediately available, paid sick leave time (up to two weeks) to all qualifying employees, regardless of how long the employee has been employed by the employer.

# COVID-19 UPDATE

## **Qualifying Circumstances.**

The Emergency Paid Sick Leave Act provides that an employee unable to work (or telework) be entitled to paid sick leave for the following circumstances:

1. The employee is subject to a federal, state or local quarantine or isolation order related to COVID-19.
2. The employee has been advised by a healthcare provider to self-quarantine because of concerns related to COVID-19.
3. The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.
4. The employee is caring for an individual who is subject to an order as described in subparagraph (1) or has been advised as described in paragraph (2).
5. The employee is caring for a son or daughter of such employee if the school or place of care of the son or daughter has been closed, or the childcare provider of such son or daughter is unavailable, because of COVID-19 precautions.
6. The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

## **Emergency Paid Sick Leave Act Leave.**

**Full-Time Employees.** Full-time employees are entitled to up to 80 hours of paid sick leave.

**Part-Time Employees.** Part-time employees are entitled to up to sick leave equivalent to those hours the employee works, on average, over a 2-week period.

## **Emergency Paid Sick Leave Act Pay and Pay Caps.**

**Personal COVID19 Pay.** (Qualifying Circumstances 1-3, 6). In the event qualified leave is taken for personal COVID19, one through three, the employee is entitled to paid leave at 100% of the employee's regular rate of pay. The FFCRA imposes a cap on daily and aggregate sick leave pay, not to exceed \$511 per day and \$5,110 in the aggregate for an employee's self-isolation, medical diagnosis, or treatment.

**Family Sick Leave Pay.** (Qualifying Circumstances 4-5). In the event qualified leave is taken to care for a family member or child, employers only are required to provide two-thirds the employee's regular rate of pay. A cap of \$200 per day and \$2,000 in the aggregate applies to any sick leave taken by an employee to care for a family member or child.

## **FUNDING RELIEF FOR COVERED PRIVATE EMPLOYERS**

**Tax Credit.** Under the FFCRA, covered private employers **may** qualify for reimbursement through refundable tax credits as administered by the Department of the Treasury, for all qualifying paid sick leave wages and qualifying family and medical leave wages paid to an employee who takes leave under the FFCRA, up to per diem and aggregate caps, and for allocable costs related to the maintenance of health care coverage under any group health plan while the employee is on the leave provided under the FFCRA. For information on the tax credits, see

# COVID-19 UPDATE

<https://www.irs.gov/forms-pubs/about-form-7200> see also <https://www.irs.gov/pub/irs-drop/n-20-21.pdf>.

See also: **PAYCHECK PROTECTION PROGRAM.**

## WHAT ELSE SHOULD I KNOW?

See DOL Regulations at:

- <https://www.federalregister.gov/documents/2020/04/06/2020-07237/paid-leave-under-the-families-first-coronavirus-response-act>
- <https://www.dol.gov/agencies/whd/ffcra>

**NEXT STEP:** Discuss with your accounting , human resources professionals and legal advisors how these provisions affect your business, how they interact with any current leave benefits your company offers, how they interact with CARES Act loans, and what steps you need to take to comply.

## EXPANDED UNEMPLOYMENT INSURANCE

**PURPOSE:** Help people who are laid off or whose hours are reduced due to the COVID-19 pandemic.

### HOW DOES IT WORK?

- Unemployment benefits are available for a longer period of time. The maximum length of time was 26 weeks; The CARES Act has extended the length of time to 39 weeks with an extra \$600 per week benefit until July 31, 2020.
- More types of workers are eligible, including contract workers, self-employed workers, freelancers and other workers who often lack unemployment insurance benefits, depending on differing state laws.
- The criteria to be able to collect unemployment benefits is expanded to include workers who may not have been laid off, but are unemployed, partially unemployed or unable to work because of COVID-19. This includes people who have to self-quarantine because they or a household member has the virus or are exhibiting symptoms, or people who have to stay home with children whose schools are closed due to the pandemic.

**WHAT ELSE SHOULD I KNOW?** The one-week waiting period to start unemployment benefits also is being waived.

**NEXT STEP:** Unemployment compensation programs are administered at the state level. Check with your state's unemployment insurance website for instructions on how to apply.

# COVID-19 UPDATE

## TEMPORARY MORATORIUM ON CERTAIN MORTGAGE FORECLOSURES AND EVICTIONS

**PURPOSE:** Help people who are having trouble making their mortgage or rent payment on certain types of properties due to the COVID-19 pandemic.

**HOW DOES IT WORK?** People with mortgages backed by federal loans can request 180 days of mortgage forbearance, and at the borrower's request, this period can be extended another 180 day. For 120 days after the enactment of the CARES Act, tenants of certain properties, including those with federally-backed mortgage loans cannot be evicted or charged fees or penalties for nonpayment of rent.

**WHAT ELSE SHOULD I KNOW?** Not every mortgage is backed by a federal loan, so this provision does not apply in all cases. However, that doesn't mean that your loan servicer won't honor a request for forbearance due to the COVID-19 pandemic.

**NEXT STEP:** If you are having trouble making your mortgage or rent payment, contact your loan servicer or landlord to learn what options are available. If your mortgage is serviced by one of our banking divisions (Bank of Oklahoma, Bank of Texas, Bank of Albuquerque or BOK Financial), and you need assistance or have questions, [please go to our COVID-19 Mortgage Assistance page.](#)

**We understand these are uncertain times for you and your loved ones. BOK Financial has been helping people navigate all economic cycles for more than a century. We offer a wide variety of online tools and services to help you manage through the crisis. We'll be here when you need us.**

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