

HITT AND COMPANY, LLC

CLIENT TAX NEWSLETTER - Summer 2020

COVID Victims Can Take Retirement Distributions with No Tax Penalty

A coronavirus-related distribution is not subject to the 10% additional tax that otherwise generally applies to distributions made before an individual reaches age 59 ½.

The Internal Revenue Service has released [Notice 2020-50](#) (PDF) to help retirement plan participants affected by the COVID-19 coronavirus take advantage of the CARES Act provisions providing enhanced access to plan distributions and plan loans. This includes expanding the categories of individuals eligible for these types of distributions and loans (referred to as “qualified individuals”) and providing helpful guidance and examples on how qualified individuals will reflect the tax treatment of these distributions and loans on their federal income tax filings.

The CARES Act provides that qualified individuals may treat as coronavirus-related distributions up to \$100,000 in distributions made from their eligible retirement plans (including IRAs) between Jan. 1 and Dec. 30, 2020. A coronavirus-related distribution is not subject to the 10% additional tax that otherwise generally applies to distributions made before an individual reaches age 59 ½. In addition, a coronavirus-related distribution can be included in income in equal installments over a three-year period, and an individual has three years to repay a coronavirus-related distribution to a plan or IRA and undo the tax consequences of the distribution.

In addition, the CARES Act provides that plans may implement certain relaxed rules for qualified individuals relating to plan loan amounts and repayment terms. In particular, plans may suspend loan repayments that are due from March 27 through Dec. 31, 2020, and the dollar limit on loans made between March 27 and Sept. 22, 2020, is raised from \$50,000 to \$100,000.

CALENDAR

JULY 4, 2020
INDEPENDENCE DAY
HOLIDAY

JULY 15, 2020
2019 FILING DEADLINE
WITHOUT EXTENSION

JULY 15, 2020
1ST AND 2ND QUARTER
ESTIMATED PAYMENTS
(FEDERAL AND MARYLAND)

JULY 15, 2020
TAX PAYMENTS FOR
BALANCES
(FEDERAL AND MARYLAND)

SEPTEMBER 15, 2020
PARTNERSHIP AND S-CORP
EXTENDED FILING
DEADLINE

As authorized under the CARES Act, Notice 2020-50 expands the definition of who is a qualified individual to take into account additional factors such as reductions in pay, rescissions of job offers, and delayed start dates with respect to an individual, as well as adverse financial consequences to an individual arising from the impact of the COVID-19 coronavirus on the individual's spouse or household member. As expanded under Notice 2020-50, a qualified individual is anyone who –

- is diagnosed, or whose spouse or dependent is diagnosed, with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, “COVID-19”) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or
- experiences adverse financial consequences as a result of the individual, the individual's spouse, or a member of the individual's household (that is, someone who shares the individual's principal residence):
 - being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19;
 - being unable to work due to lack of childcare due to COVID-19;
 - closing or reducing hours of a business that they own or operate due to COVID-19;
 - having pay or self-employment income reduced due to COVID-19; or
 - having a job offer rescinded or start date for a job delayed due to COVID-19.

Notice 2020-50 clarifies that employers can choose whether to implement these coronavirus-related distribution and loan rules, and notes that qualified individuals can claim the tax benefits of coronavirus-related distribution rules even if plan provisions aren't changed. The guidance clarifies that administrators can rely on an individual's certification that the individual is a qualified individual (and provides a sample certification), but also notes that an individual must actually be a qualified individual in order to obtain favorable tax treatment. Further, Notice 2020-50 provides employers a safe harbor procedure for implementing the suspension of loan repayments otherwise due through the end of 2020, but notes that there may be other reasonable ways to administer these rules.

COVID Victims
CPA Practice Advisor
6/21/20

IRS Warns of New Tax and Coronavirus Payment Scams



Criminals are continuing to use the COVID-19 Economic Impact Payments as cover for schemes to steal personal information and money. Scams related to COVID-19 are not limited to stealing EIPs from taxpayers, however. Taxpayers are being warned about new tax fraud and other related financial scams related to COVID-19.

In the last few months, the IRS Criminal Investigation division (CI) has seen a variety of Economic Impact Payment (EIP) scams and other financial schemes looking to take advantage of unsuspecting taxpayers. CI continues to work with law enforcement agencies domestically and abroad to educate

taxpayers about these scams and investigate the criminals perpetrating them during this challenging time.

“Criminals seize on every opportunity to exploit bad situations, and this pandemic is no exception,” said IRS Commissioner Chuck Rettig. “The IRS is fully focused on protecting Americans while delivering Economic Impact Payments in record time. The pursuit of those who participate in COVID-19 related scams, intentionally abusing the programs intended to help millions of Americans during these uncertain times, will long remain a significant priority of both the IRS and IRS-CI.”

Criminals are continuing to use the COVID-19 Economic Impact Payments as cover for schemes to steal personal information and money. Scams related to COVID-19 are not limited to stealing EIPs from taxpayers, however. CI has already seen scams related to the organized selling of fake at-home test kits, offers to sell fake cures, vaccines, pills and advice on unproven treatments for COVID-19. Other scams purport to sell large quantities of medical supplies through the creation of fake shops, websites, social media accounts and email addresses where the criminal fails to deliver promised supplies after receiving funds.

“Criminals try to take advantage of our most vulnerable times and our most vulnerable populations. But because we have seen many of these criminals and schemes before, we know how to find them and we know how to expose them,” said Don Fort, Chief of IRS Criminal Investigation. “And because COVID-19 is a global problem, it requires a global solution. Not only are we leveraging our financial investigative expertise domestically, we are working hand-in-hand with our J5 partners on those COVID-19 cases that cross borders. There truly is no place for criminals to hide.”

Other COVID-19 related scams involve setting up fake charities soliciting donations for individuals, groups and areas affected by the disease. Some criminals are offering opportunities to invest early in companies working on a vaccine for the disease promising that the “company” will dramatically increase in value as a result. These promotions are often styled as “research reports,” make predictions of a specific “target price,” and relate to microcap stocks, or low-priced stocks issued by the smallest of companies with limited publicly available information.

Finally, CI has also seen a tremendous increase in phishing schemes utilizing emails, letters, texts and links. These phishing schemes are using keywords such as “Corona Virus,” “COVID-19”, and “Stimulus” in varying ways. These schemes are blasted to large numbers of people known by the bad actors in an effort to get personally identifying information or financial account information to include account numbers and passwords. Most of these new schemes are actively playing on the fear and unknown of the virus and the stimulus payments.

Coronavirus-related (COVID-19) scams should be reported to the [National Center for Disaster Fraud](#) (NCDF) Hotline at 1-866-720-5721 or submitted through the NCDF Web [Complaint Form](#). The NCDF is a national coordinating agency within the Department of Justice’s Criminal Division dedicated to improving the detection, prevention, investigation and prosecution of criminal conduct related to natural and man-made disasters and other emergencies, such as the coronavirus (COVID-19).

Hotline staff will obtain information regarding your complaint, which will then be reviewed by law enforcement officials. Taxpayers can also report fraud or theft of their Economic Impact Payments to the Treasury Inspector General for Tax Administration (TIGTA). Reports can be made online at [TIPS.TIGTA.GOV](https://tips.tigta.gov). TIGTA investigates external attempts to corruptly interfere with federal tax administration, including IRS-related coronavirus scams.

Also, taxpayers can always report phishing attempts to the IRS. Those who receive unsolicited emails or social media attempts to gather information that appear to be from either the IRS or an organization closely linked to the IRS, such as the Electronic Federal Tax Payment System (EFTPS), should forward it to phishing@irs.gov. Taxpayers are encouraged not to engage potential scammers online or on the phone.

IRS WARNS
CPA Practice Advisor
6/8/20
Tax

IRS Continues Sending Stimulus Payment Debit Cards: Watch for Plain Envelopes



Nearly 4 million people are being sent their Economic Impact Payment by prepaid debit card, instead of paper check. The determination of which taxpayers received a debit card was made by the Bureau of the Fiscal Service, a part of the Treasury Department that works with the IRS to handle distribution of the payments.

As Economic Impact Payments continue to be successfully delivered, the IRS is sending some payments by prepaid debit card. The debit cards arrive in a plain envelope from “Money Network Cardholder Services”.

Those who receive their Economic Impact Payment by prepaid debit card can do the following without any fees.

- Make purchases online and at any retail location where Visa is accepted
- Get cash from in-network ATMs
- Transfer funds to their personal bank account
- Check their card balance online, by mobile app or by phone

This free, prepaid card also provides consumer protections available to traditional bank account owners, including protection against fraud, loss and other errors.

Frequently asked questions continually updated on IRS.gov

The IRS has two sets of frequently asked questions to help Americans get answers about their Economic Impact Payments, including those arriving on prepaid debit card. These FAQs include answers to eligibility and other many common questions, including help to use two Economic Impact Payment tools.

[Get My Payment](#), an IRS online tool, shows the projected date when a direct deposit has been scheduled or date when the payment will be mailed by check or prepaid debit card. The [Non-Filers Enter Payment Info tool](#) helps taxpayers successfully submit basic information to receive Economic Impact Payments quickly.

The IRS regularly updates the [Economic Impact Payment](#) and the [Get My Payment](#) frequently asked questions pages on IRS.gov as more information becomes available. Taxpayers should check the FAQs often for the latest additions.

Here are answers to some of the top questions people are asking about the prepaid debit cards:

Can I have my economic impact payment sent to my prepaid debit card?

Maybe. It depends on your prepaid card and whether your payment has already been scheduled. Many reloadable prepaid cards have account and routing numbers that you could provide to the IRS through the Get My Payment application or Non-Filers: Enter Payment Info Here tool. You would need to check with the financial institution to ensure your card can be re-used and to obtain the routing number and account number, which may be different from the card number. If you obtained your prepaid debit card through the filing of a federal tax return, you must contact the financial institution that issued your prepaid debit card to get the correct routing number and account number. Do not use the routing number and account number shown on your copy of the tax return filed. When providing this information to the IRS, you should indicate that the account and routing number provided are for a checking account unless your financial institution indicates otherwise.

Will IRS be sending prepaid debit cards?

Some payments may be sent on a prepaid debit card known as The Economic Impact Payment Card. The Economic Impact Payment Card is sponsored by the Treasury Department’s Bureau of the Fiscal Service, managed by Money Network Financial, LLC and issued by Treasury’s financial agent, MetaBank®, N.A.

If you receive an Economic Impact Payment Card, it will arrive in a plain envelope from “Money Network Cardholder Services.” The Visa name will appear on the front of the Card; the back of the Card has the name of the issuing bank, MetaBank®, N.A. Information included with the Card will explain that the card is your Economic Impact Payment Card. Please go to [EIPcard.com](#) for more information.

Can I specifically ask the IRS to send the Economic Impact Payment to me as a debit card?

Not at this time. For those who don’t receive their Economic Impact Payment by direct deposit, they will receive their payment by paper check, and, in a few cases, by debit card. The determination of which taxpayers receive a debit card will be made by the Bureau of the Fiscal Service (BFS), another part of the Treasury Department that works with the IRS to handle distribution of the payments. BFS is sending nearly 4 million debit cards to taxpayers starting in mid-May. At this time, taxpayers cannot make a selection to receive a debit card. Please go to [EIPcard.com](#) for more information.

IRS Continues Sending Stimulus Payments Debit Cards
CPA Practice Advisor
5/27/20

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