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Dear Client,

On March 27, 2020, Congress passed and the President signed a massive relief package titled the CARES (Coronavirus Aid, Relief, and Economic Security) Act to help us to weather the current economic storm created by COVID-19. We want to make you aware of some of these provisions.

#### **ECONOMIC IMPACT PAYMENTS FOR INDIVIDUALS**

According to the CARES Act, beginning within the next three weeks, eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples. In addition to this, taxpayers will receive \$500 for each qualifying child age 16 or under. Tax filers with income above \$75,000 for individuals and \$150,000 for married couples filing joint returns will receive reduced payments. Those taxpayers whose income exceeds \$99,000 for single individuals and \$198,000 for joint filers are not eligible to receive these payments.

People who receive Social Security and who are not otherwise required to file a tax return can also receive this Economic Impact payment. The IRS will use the information from the Social Security Administration to determine who fits this category. This payment will be sent in the same manner as are the Social Security benefits.

The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return. These economic impact payments will be available throughout the rest of 2020.

The IRS will soon provide a portal on its website for those who have not provided direct deposit information on their tax returns. With this portal, taxpayers can receive their payments immediately as opposed to receiving a check in the mail.

## SMALL BUSINESSES

The U.S. Small Business Administration is offering funding options for businesses seeking relief from the challenges created by this COVID-19 health crisis. There are a couple of programs we want you to be aware of:

### Paycheck Protection Program

This loan program was designed to provide an incentive for businesses to keep their workers on the payroll. This new program provides small businesses with funds to pay payroll costs, interest on business mortgages, rent, and utilities. Funds come as a loan that will be fully forgiven if employees are kept on the payroll for eight weeks and this money is used for payroll, rent, mortgage interest, or utilities. You can apply for this loan by contacting a local bank that is participating in this program. You will need your EIN, a copy of your 2019 W-3 and all the 2019 W-2s. You will take an average of your monthly payroll costs and multiply this by 2.5 to arrive at the amount of your loan request.

### Economic Injury Disaster Loan Emergency Advance

This \$10,000 loan advance is designed to provide economic relief to businesses that are currently experiencing temporary loss of income as a result of the COVID-19 pandemic. These loans may be forgiven. These funds are supposed to be made available within days of a successful application. To apply for this loan, go to <http://covid19relief.sba.gov/#/>. Here is a list of information you will need:

- Entity type
- Business Legal Name
- Trade Name
- EIN
- Organization Type
- Gross Revenues for 12 months before January 31, 2020
- COGS
- Business Address, Phone Number, E-mail
- Date business established and current ownership
- Business Activity
- Number of Employees
- Owner information
- Bank account information

This link may change, as things are evolving hourly. Another path to the application is by accessing [www.sba.gov](http://www.sba.gov) then go to “Funding Programs” then go to “Loans-Coronavirus Relief Options” then scroll down to “\$10K Adv” then go to “Eligibility” then go to “To apply for a COVID-19 Economic Injury Disaster Loan and loan advice [click here](#)”. Feel free to explore the [sba.gov](http://sba.gov) website for more information regarding this program.

## OTHER MOST COMMON PROVISIONS OF THE CARES ACT

### Using Retirement Funds Without Penalty

The CARES Act waives the 10% early withdrawal penalty for coronavirus-related distributions from retirement plans and provides the option of recontributing the funds for up to three years after such distributions are made. A "coronavirus-related distribution" is any distribution from an eligible retirement plan made: (1) on or after January 1, 2020, and before December 31, 2020, (2) to an individual (i) who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention, (ii) whose spouse or dependent is diagnosed with such virus or disease by such a test, or (iii) who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, the closure or reduction of hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

### Required Minimum Distribution Rules Waived for 2020

The CARES Act waives the required minimum distribution rules for 2020 for defined contribution plans, including an eligible deferred compensation plan, and individual retirement plans.

### Above-the-Line-Deduction for Charitable Contributions of Up to \$300

Individuals, whether they itemize deductions or not, can take a deduction of up to \$300 for charitable contributions made during 2020 and the limitations on the amount of charitable contributions that a taxpayer may take as an itemized deduction are loosened.

### Net Operating Losses (NOLs) Can Be Carried Back to Eliminate Prior Year Income

If your business has incurred NOLs that you have not gotten the benefit of deducting, the CARES Act may help as it modifies the limitation on deducting NOLs, as well as the rules relating to NOL carrybacks. In general, for any NOL arising in a tax year beginning after December 31, 2017, and before January 1, 2021, such loss is an NOL carryback to each of the five tax years preceding the tax year of such loss and the provisions limiting the carrybacks of farming losses do not apply.

There are other provisions of the CARES Act that apply to taxpayers in less-common situations. If you wish to read more about this piece of legislation, you can go to [www.irs.gov](http://www.irs.gov) and click on "Get Coronavirus Tax Relief". Many of the applications of the brand new law are still being developed. We will be studying the law throughout these next months as provisions are refined. We hope you find this information useful in helping you understand the aspects of this vast, new law. Please stay safe and well.

Sincerely,

  
Cathy and Crew