

# ***The Rudolph Report***

www.rudolphcpa.com (A very long rain-delayed) Opening Day 2020

To all our clients:

Sorry for delay in the release. Our team of sportswriters normally times this publication with opening day. Their biorhythmic clocks are out of sync with the baseball shutdown. Nightmares of the DH in the National League have disrupted production; yet, they still curse the Mets in their sleep.

Thank you for your business. Many of you were accommodating to our staff through Covid-19 by dropping off your documents, emailing them, or wearing bubble wrap and that WWI gas mask you hocked at the flea market. Times have been disruptive, and for some people financially devastating. We've witnessed folks losing their businesses and jobs. So, more than ever, we appreciate you.

We continue to field calls about W-4s. These forms communicate how much tax you want withheld from your paycheck. It looks like the new forms were made by the same team that created the Dewey Decimal System. So please feel free to call our office for help.

There are significant tax changes that may impact you. We'll address the SECURE Act and CARES Act which each have elements that could change your tax and financial planning. That's right—Congress did something besides monitor the output of government issued cheese.

Let's stay positive. After all, the Cubs are undefeated, and the Cardinals still haven't won a game.

Chris Rudolph CPA

## **Congress CARES** (*Oh stop rolling your eyes*)

In a response to COVID-19, Congress passed the CARES Act. Provisions include stimulus payments, a \$600 increase in unemployment benefits, forgivable small business financing known as PPP loans, bigger plastic toys in Happy Meals, changes to distributions from IRA & 401k accounts, postponement of payments on mortgages and student loans, and a free pony. Who's paying for this? *Ah, Ah, Ah*—no foolish talk.

**Ready, Fire, Aim.** Economic Stimulus payments cap at \$1,200 per adult + \$500 per rugrat. The benefit caps out when your income is over \$200,000 (100K for single mammals). The stimulus payments were based on the higher of your 2018 or 2019 income levels. If only it were that simple.

But what if..

Not everybody qualified for the full amount initially. Divorces, marriages, new kids, adopted iguanas are items that feed into various circumstances which can create numerous scenarios that last longer than a major league baseball replay review. Here is the bottom line: you can capture the residual credit on your 2020 return if your circumstances changed. You can also capture a full credit on your 2020 return if your 2018 and 2019 income was too high, and your 2020 income drops. If you received a payment and your income spikes in 2020, you will not have to pay it back. The only folks who have to pay it back are those that passed away. It sounds like some folks are just dying to help the government.

Rudolph CPA

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## **Congress still CARES** (*stop making that face*)

You can deduct charitable contributions of up to \$300 (\$600 for blissfully wedded folk) even if you take a standard deduction.

The AGI limit on cash contributions to charities has been raised from 60% to 100%. These cannot be made to a donor advised fund nor to St. Louis Cardinals' charities.

Federal student loans have been suspended until September 30, 2020 during which interest will not accrue.

H.S.A. and flex spending accounts now allow you to purchase over the counter medication but still not Flintstone vitamins.

## **Congress really CARES** (*I'm going to pull the car over*)

Required minimum distributions have been eliminated for 2020. If you already took your RMD, you can undo it within 60 days of the distribution.

If Covid has impacted you or a family member financially or medically, then you can benefit from intriguing options from retirement accounts. These options include:

- \$100,000 distributions from IRA's or a 401 (k) or 403(b) penalty free.
- Eligible to recognize the income from these distributions evenly over three years (2020-22).
- Eligible to repay the distribution over three years and avoid the tax if you want to treat it as a loan.
- Distributions for purchasing Covid chewable chlorine Gummy Bears.

## **Congress has lost its mind** (*no smarm necessary*)

PPP loans for small businesses easily convert to non-taxable forgiveness. If you have one of these loans, your lender will walk you through the process for forgiveness. If you have questions, please call me because there is not enough space in this newsletter to address the details because these loans have more intricacies than the hit and run.

## **The SECURE Act & Your Retirement Plan**

Conceived in extreme geniusness, the president signed the SECURE Act in December of 2019. The SECURE Act (Setting *almost* Every Community Up for Retirement Enhancement) could impact you. The changes are significant. Required minimum distributions now commence at age 72 rather than 70 ½. The age limit for IRA contributions has been removed. New parents can take penalty free withdraws.

Here is the big change: inherited IRAs now must be fully liquidated within ten years. This rule does not impact surviving spouses, minor children, disabled, and beneficiaries who are up to ten years younger than the IRA owner. However, for most taxpayers who inherit money, it does eliminate the stretch IRA.

## **It's still OK to hate ....the Mets**

Happy Belated Bobby Bonilla Day. In 2000 the Mets owed the underperforming star \$6 million. Instead, they offered him \$1.2 million annual payments every July 1<sup>st</sup> until 2035. The ownership team was led by... Bernie Madoff. Who said there is no God?

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