



THE NEW NORMAL

The CARES Act and the Economic Impact of the COVID-19 Pandemic

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HERE'S WHAT WE'LL COVER...

I. Tax Cut and Jobs Act (TCJA)

II. The Cares and Secure Acts

III. Market Conditions



TAX CUT & JOBS ACT 2017 (TCJA)

A quick review for perspective

IT'S HARDER TO ITEMIZE NOW



- Income and RE tax deductions limited
- Miscellaneous deductions gone
- No more home equity interest deduction
- Result: Itemizing is down by 17% from 2018

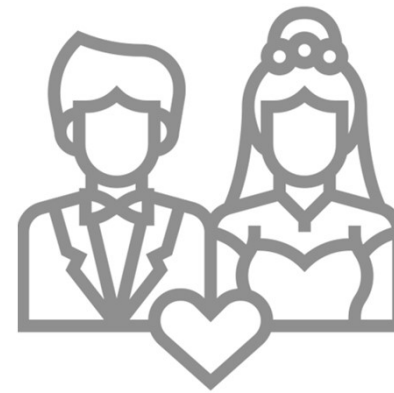
AND... No more personal exemptions

THERE IS GOOD NEWS...

The Standard Deduction Increased by \$200 / \$400



Single: **\$12,400**



Married filing joint: **\$24,800**

AND...

Additional Standard Deduction for Age or Blindness



Single: **\$1,600**



Married filing joint: **\$1,300**

Double for age AND blindness

Example:

Single taxpayer over 65 and blind

(12,400 + 1600 + 1600)

Standard deduction: **\$15,600**

DOUBLING UP DEDUCTIONS CAN STILL WORK...

- Watch for high medical combined with charitable
- Consider transfer of appreciated investment
- Beware of the \$10,000 tax deduction limitation

A DIFFERENT APPROACH...

Qualified Charitable Deduction

- Must be qualified charitable organization
- Must come from an IRA, no employer plan
- The IRA owner must be 70 ½ or older
- Transfer to charity satisfies required minimum distribution
- No inclusion in income / no charitable deduction

WHY DOES IT WORK?

- No income inclusion means no tax
- Adjusted gross income is lower
 - May reduce social security inclusion
 - May keep Medicare premium lower
 - May increase includable medical deduction
- Reduces reportable income even if not itemizing

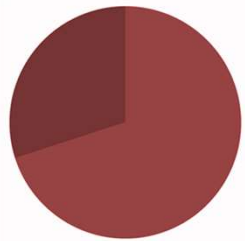
Poll Question

- Have you done or plan to do a Qualified Charitable Distribution from your IRA?
 - Yes
 - No
 - I Don't have an IRA
 - I Do not give to Charities

ARE THERE STILL SOME CREDITS LEFT FOR US?

Residential renewable energy tax credit

Solar & Geothermal:



22 - 30% OF EQUIPMENT COST

on principal or secondary residence

Non-refundable but can be carried forward.

Fuel Cell:



Capped at

\$1000 PER KILOWATT

Personal residence only.



Secure Act and CARES Act

what's their impact?

The Secure Act: 01/01/2020

- Required Minimum Distributions
- Contributions
- Qualified Charitable Distributions
- Stretch IRA



The Secure Act.....what changes?

- Required minimum distribution age would be increased to 72
- No more 70 ½ requirement
- No age restriction on contributions
- Qualified Charitable Distributions at age 70 ½



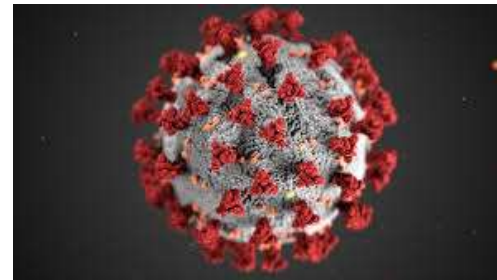
Secure Act.....what else will it change?

- No more stretch IRA
 - Non-spouse heirs have ten years to distribute
 - Includes Roth IRA's



The CARES Act: 03/27/2020

- Required Minimum Distributions
- Charitable Contributions
- COVID Distributions
- Stimulus Check



Our unwanted friend

The CARES Act: Specifics

- Required Minimum Distribution suspended for 2020
- Charitable Contributions
 - Up to 100% of AGI
 - \$300 above the line deduction for non-itemizers



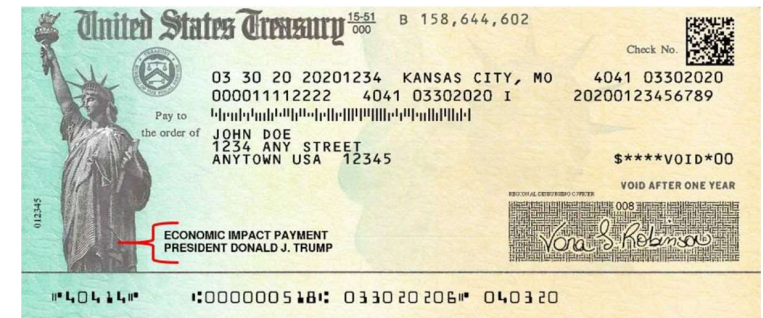
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Qualified Charitable Deduction Wrinkle

- Qualified Charitable Deduction will be decreased by post age 70 IRA contributions.
- Example 1: QCD was \$12,000 in 2021 given to the taxpayer's university.
Taxpayer, age 72, had made an IRA contribution of \$7,000 in 2020 and again in 2021.
 - The QCD is reduced to zero by the \$14,000 of IRA contributions and still leaves \$2,000 of excess contribution to be considered in future years.
 - This taxpayer shows \$12,000 of income, \$7,000 IRA contribution (reduces income) and a \$12,000 itemized deduction if able to itemize.
- Example 2: If QCD is again \$12,000 in 2022 and no IRA contribution in 2022, QCD is reduced to \$10,000 by the remaining \$2,000 of accumulated prior IRA contributions, \$2,000 is reported as income and a \$2,000 charitable deduction is then available if able to itemize.

The CARES Act: Specifics

- COVID Distributions up to \$100,000
 - Taxable but no 10% penalty
 - Must be COVID-19 related
- Stimulus Check
 - \$1200 and \$2400 is non-taxable
 - Second one coming? Soon?





Market Conditions

what's the market reacting to?

COVID-19?

Business Closures and Massive Unemployment

- Sharp decline with relatively quick rebound
- What is causing this resilience?
- Massive Government Stimulus
- Business in the New Normal

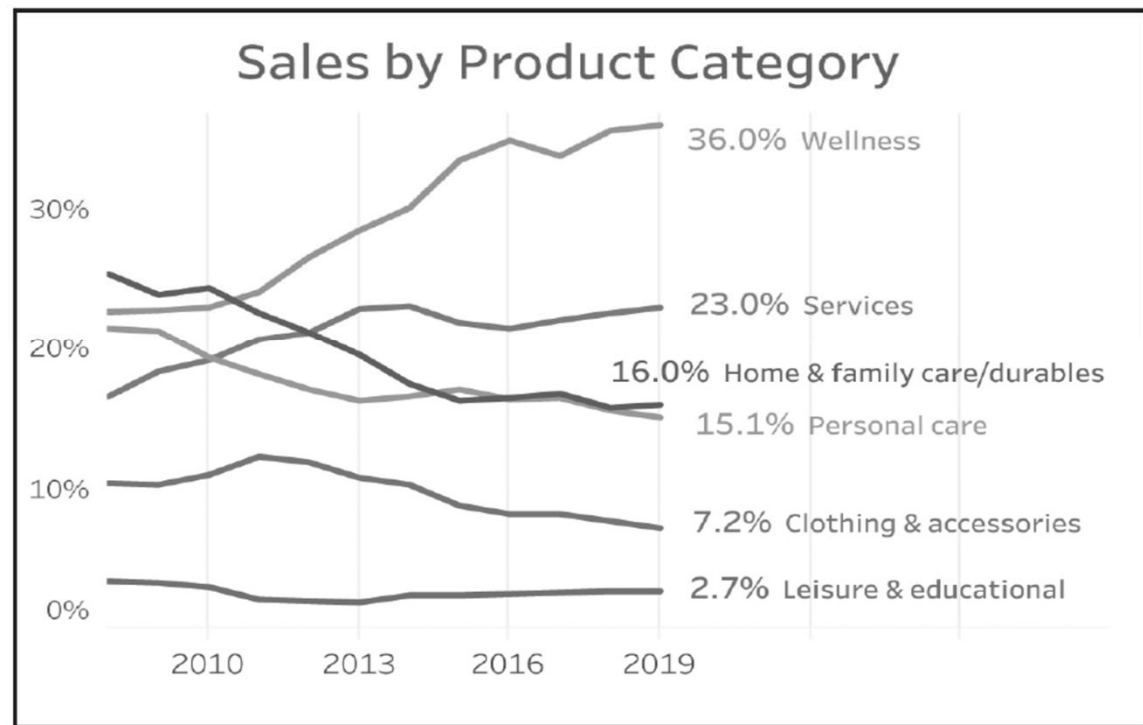
Medical...Technology... Adaptation and New Business



ISSUE 2: MULTI-LEVEL MARKETING

- 2019: 6.8M direct sellers generated \$35.2B in sales

FIGURE 11.1 Direct Selling in the United States 2019 Industry Overview



Election?

Outcome Uncertainty

- Incumbent or New President
- Would there be a smooth transfer of power?
- Supreme Court Vacancy

Appointee.....Timing.....Election Decision



Durability of the President?

Reality of COVID

- Hospitalization scare
- How much does age matter?



QUESTIONS

and comments...



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