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# SCN Newsletter - June Edition



**SCN Accounting and Tax Services**



## 401(k) withdrawals: Look at the pros and cons

Let's look at the pros and cons of 401(k) withdrawals under the new CARES Act.

You may be eligible for a CARES Act distribution, for this waiver if either of the following applies:

- You, your spouse or a dependent have been diagnosed with COVID-19
- You've suffered financial consequences as a result of the pandemic

If that's the case for you, the 10% early withdrawal penalty for people under 59½ is waived for up to \$100,000 taken out of a 401(k), 403(b), or 457 retirement plan, as well as an IRA, through the end of 2020.

If you don't qualify for a CARES Act withdrawal, you might qualify for a traditional withdrawal, such as a hardship withdrawal. The IRS defines a hardship as having an immediate and heavy financial need like a foreclosure, tuition payments, or medical expenses. Also, some plans allow a non-hardship withdrawal, but all plans are different, so check with your employer for details.

**Pros:** You're not required to pay back withdrawals and 401(k) assets. If you qualify for a CARES Act withdrawal, you can avoid penalties, and you might be able to spread out the federal income taxes over a 3-year period or pay the withdrawal back to avoid taxes altogether.

**Cons:** A non-CARES Act withdrawal can have a big impact on your retirement savings because it permanently removes money from your account. If you're under the age of 59½ and take a traditional withdrawal, you won't get the full amount because of the 10% penalty and the taxes that you will pay upfront as part of your withdrawal.

COVID-19 UPDATE

FPUC PROGRAM CLARIFICATION



White House opposes extending \$600 a week benefit for jobless workers beyond July

The White House does not support extending increased Federal Pandemic Unemployment

Compensation program( FPUC) assistance to workers who lost jobs during the corona-virus pandemic. Instead, economic advisers to President Donald Trump say they prefer to help closed businesses reopen.

Another 2.4 million people applied for unemployment benefits this week, putting the total number of new jobless claims since early March above 38 million. Without additional action by Congress, those workers will **no longer** receive an extra \$600 weekly benefit after July.

That benefit, which began in late March and expires at the end of July, is in addition to the regular weekly unemployment benefits received by Americans who lost their jobs.

[Read more](#)

## Will You Have to Pay Back Any of Your Stimulus Check?

The IRS recently acknowledged that "there is no provision in the law requiring repayment" of a stimulus check. The way the law is written, stimulus checks are actually just advanced payments of a new "recovery rebate" tax credit for the 2020 tax year.



The stimulus check is not considered taxable income.

Stimulus Pay Back



## COVID-19 paid leave tax credits for small and midsize businesses

Small and midsize employers can claim [two new refundable payroll tax credits](#). The paid sick leave credit and the paid family leave credit are designed to immediately and fully reimburse eligible employers for the cost of providing COVID-19 related leave to their employees.

### Coverage

- Employers receive 100% reimbursement for required paid leave.
- Health insurance costs are also included in the credit.
- Employers do not owe their share of social security tax on the paid leave and get a credit for their share of Medicare tax on the paid leave.
- Self-employed individuals receive an equivalent credit.

### Fast funds

- Reimbursement will be quick and easy.

- The credit provides a dollar-for-dollar tax offset against the employer's payroll taxes
- The IRS will send any refunds owed as quickly as possible.

To take immediate advantage of the paid leave credits, businesses should use funds they would otherwise pay to the IRS in payroll taxes. If those amounts are not enough to cover the cost of paid leave, employers can request an expedited advance from the IRS by submitting [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#).

For details about these credits and other relief, visit [Coronavirus Tax Relief](#) on IRS.gov.

[COVID Relief](#)



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