

CARES Act: Unemployment Insurance, Individual Rebates and Tax Credits

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INTRODUCTION

The CARES Act contains provisions that temporarily broaden unemployment assistance and tax rebates to cover more types of individual employees impacted by the Coronavirus pandemic who otherwise may not have been eligible for financial aid prior.

TEMPORARY UNEMPLOYMENT INSURANCE PROVISIONS

Major changes made to unemployment benefits only during the covered period—defined as January 27, 2020 through December 31, 2020—include:

- **Expanded Eligibility:** Now, many workers previously deemed ineligible may receive unemployment benefits, including self-employed workers, freelancers, independent contractors, gig workers, and those with a limited work history, among others. Assistance is also available to those who lose work or hours as a direct result of the public health emergency, even if they're not sick or laid-off.

Eligibility includes anyone who is otherwise able to work (within the definition under their state law) but is unemployed, partially unemployed, or unable or unavailable to work because they:

- have been diagnosed with COVID-19 or are experiencing symptoms/seeking a diagnosis;
 - are a member of a household of a diagnosed individual or are providing care for a family member/member of the household who has been diagnosed;
 - can't get to work because of quarantine and are unable to telecommute;
 - have to provide childcare and can't work as a result; or
 - are self-employed and don't have sufficient work history.
- **Increased Payments:** Federal Government will increase unemployment payments to eligible individuals by \$600/week for up to four months.
 - **Increased Benefit Timeframe:** The CARES Act adds 13 weeks of unemployment compensation eligibility to state maximum (varies by state and does not include the \$600/week "boost"). This applies to existing recipients and new filers.

At this time, individuals will continue to apply for unemployment benefits through their state unemployment offices. In Illinois, that office is the Illinois Department of Employment Security (IDES). The temporary enhanced unemployment benefits are added as a supplement for eligible workers and distributed by the IDES in the same manner. Claims will be back-dated to reflect the date on which a claimant was laid-off, let go or otherwise unable to do their job when the loss is due to COVID-19.

IDES Website: <https://www2.illinois.gov/ides/individuals/UnemploymentInsurance/Pages/default.aspx>

What This Means for Employers: At this time, no further guidance has been issued from the Federal government as to whether employers' contributions will change. Until such time, normal procedures will be followed. In general, in Illinois, the contribution rate of an experience-rated employer is based, in part, on the amount of unemployment benefits paid to the employer's former employees.

For employers who may be planning to or have gone through a permanent closure, or had a mass layoff at a plant, facility, or enterprise, Rapid Response Services are available. The State Dislocated Worker Unit coordinates with employers to provide on-site information to workers and employers about employment and retraining services designed to help participants retain employment, when feasible, or obtain re-employment as soon as possible. In addition, employers should be mindful of their notification obligations under the Illinois Worker Adjustment and Retraining Notification (WARN) Act, although the Department of Labor may grant exemptions on a case-by-case basis during the crisis.

Illinois Work Net Website: <https://www.illinoisworknet.com/LayoffRecovery/Pages/RapidResponseServices.aspx>

INDIVIDUAL REBATES AND TAX CREDITS

Section 2201 of the CARES Act amends the Tax Code and adds a new section: Section 6428 –“2020 RECOVERY REBATES FOR INDIVIDUALS.” This section provides Recovery Rebates for taxpayers: a \$1,200 refundable tax credit for individuals (\$2,400 for joint taxpayers), and an additional \$500 credit for each child (under age 18). The rebates will not be counted as taxable income for recipients, but rather, as a credit against tax liability and is refundable for taxpayers with no tax liability to offset.

The rebate begins to phase out at \$75,000 for singles, \$112,500 for heads of household, and \$150,000 for joint taxpayers (at a rate of \$50 per \$1,000 of qualified income earned). The rebate phases out entirely at \$99,000 for single taxpayers with no children and \$198,000 for joint taxpayers with no children.

The Federal Government will use 2019 tax returns (or 2018 if the 2019 return is not filed) to determine the advanced rebate amount and reconcile the rebate based on 2020 income. A taxpayer who receives less than they are eligible for based on 2020 income will receive the difference after filing a 2020 tax return. For example, a single taxpayer with \$100,000 in 2019 income isn't eligible for an advance rebate, but will receive the \$1,200 credit on their 2020 tax return if their income for 2020 falls below the threshold. Taxpayers with increased incomes in 2020 will not have to repay rebates and will have the difference (overpayment) forgiven. For instance, a single taxpayer who reported \$65,000 in income in 2019, and thus receives a \$1,200 advance rebate, will not have to re-pay the rebate on their 2020 tax return if they report \$100,000 in 2020 income.

The rebate is not available to those who have not filed 2018 or 2019 taxes. Low-income taxpayers who rely only on Social Security benefits may use their Social Security Administration benefit information rather than a 2018 or 2019 return. Non-resident aliens, estates/trusts, and individuals who can be claimed as dependents on someone else's taxes are also not eligible (*i.e.*, a college-age child who is still claimed by their parents is not eligible for an individual credit or for the child credit).

At this time, the IRS does not have any information available regarding timing of stimulus/rebate checks. The Treasury Secretary has said that it was his goal for checks to be sent out within three weeks of the passage of the CARES Act.

Coronavirus Tax Relief Website: <https://www.irs.gov/coronavirus>

If you have questions about the CARES Act, please contact your Lawrence Kamin attorney.

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