



# CITY STATE BANK INVEST

**2020**



"I DO NOT RECOMMEND"

## 2020 IN REVIEW

Over the past 12 months, we have endured a global pandemic, mass layoffs, a sinking economy, and a contentious presidential election. Our lives and lifestyles changed, where working and learning from home became the "new normal," and in-person communication was replaced by virtual meetings. In short, 2020 was a very memorable year that tested our resolve, patience, and courage.

The year began with news of a SARS-like virus spreading in China. Little did we know the impact this contagion would impart on our health, politics, and economy. By February, the growing number of reported cases of the virus prompted travel restrictions, stay-at-home orders, and shutting down of businesses both domestically and around the world.

In March world economies and stock markets were rocked by the spread of the COVID-19 virus, leading to major market sell-offs, and plunging stocks well below their 2019 values. The U.S. first-quarter gross domestic product decelerated at a rate of -5%, only to be outdone by a second-quarter deceleration of -31.4%.

In response to the economic turmoil caused by the pandemic, several pieces of legislation were passed, including the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act, and the massive COVID-19 rescue package, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which included the Paycheck Protection Program and distribution of stimulus checks to qualifying individuals.

The summer months saw a slight lull in the number of reported virus cases. Economies began to marginally recover, some businesses began to reopen, and travel restrictions were relaxed.

The November presidential election resulted in the defeat of President Donald Trump by former Vice President Joe Biden, with the post-election period dominated by attempts to overturn the results through federal courts and state legislatures. Nevertheless, some positive news came at the end of the year with the development and initial dissemination of COVID-19 vaccines and additional legislation that provided \$900 billion in pandemic-related stimulus.

On the last day of the year, the Dow and the S&P 500 ended at all-time highs. In fact, the fourth quarter was robust for stocks, with each of the major indexes posting double-digit gains, headed by the small caps of the Russell 2000, which surged to a gain of 31.3% over the prior quarter. Despite the turmoil and early-year losses, all of the benchmark indexes listed here closed 2020 well ahead of their 2019 closing marks. The tech stocks of the Nasdaq, which gained more than 43.0%, led the way, followed by the Russell 2000, the S&P 500, the Dow, and the Global Dow.

The new year brings with it a sense of hope: hope that the virus will be controlled; hope for a return to some form of normalcy in our daily lives; hope for economic prosperity and job security; and hope for peace, both here and around the world – and a good riddance to 2020.

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The \$900 billion emergency relief package represents a bipartisan effort to assist individuals and businesses during the ongoing coronavirus pandemic and accompanying economic crisis.

## CONSOLIDATED APPROPRIATIONS ACT PROVIDES RELIEF TO INDIVIDUALS AND BUSINESSES

On Sunday, December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA 2021) was signed into law. A \$900 billion emergency relief package is included as part of this omnibus spending bill. It is intended to assist individuals and businesses during the ongoing coronavirus pandemic and accompanying economic crisis. Major relief provisions are summarized here, as well as some additional tax provisions.

### UNEMPLOYMENT PROVISIONS

The legislation provides an extension to expanded unemployment benefit assistance (although at a lower amount):

- An additional \$300 weekly benefit to those collecting unemployment benefits, through March 14, 2021
- An additional 11-week extension of federally funded unemployment benefits for individuals who exhaust their state unemployment benefits
- Targeted federal reimbursement of state unemployment compensation designed to eliminate state one-week delays in providing benefits (allowing individuals to receive a maximum 50 weeks of benefits)
- Unemployment benefits through March 14, 2021, for many who would not otherwise qualify, including independent contractors and part-time workers

### RECOVERY REBATES

Most individuals will receive another direct payment from the federal government. Technically a 2020 refundable income tax credit, the rebate amount will be calculated based on 2019 tax returns filed and sent automatically via check or direct deposit to qualifying individuals. To qualify for a payment, individuals generally must have a Social Security number and must not qualify as the dependent of another individual.

The amount of the recovery rebate is \$600 (\$1,200 if married filing a joint return) plus \$600 for each qualifying child under age 17. Recovery rebates are phased out for those with an adjusted gross income (AGI) exceeding \$75,000 (\$150,000 if married filing a joint return, \$112,500 for those filing as head of household). For those with AGIs exceeding the threshold amount, the allowable rebate is reduced by \$5 for every \$100 in income over the threshold.

### REBATE AMOUNTS AND PHASEOUT RANGES

Filing Status	Payment Amount	Phaseout Threshold	Phaseout Completed
Married Filing Jointly	\$1,200	\$150,000	\$174,000
+ 1 Child	\$1,800	\$150,000	\$186,000
+ 2 Children	\$2,400	\$150,000	\$198,000
Head of Household	\$600	\$112,500	\$124,500
+ 1 Child	\$1,200	\$112,500	\$136,500
+ 2 Children	\$1,800	\$112,500	\$148,500
All Others	\$600	\$75,000	\$87,000



## BUSINESS RELIEF

- The employee retention tax credit has been extended through June 30, 2021. It is available to employers that were significantly impacted by the crisis and is applied to offset Social Security payroll taxes. As extended, the credit is increased to 70% of qualified wages, up to a certain maximum per quarter.
- Paycheck protection program (PPP) loans\*\* have been extended and the allowable uses (eligible expenses) of the loan expanded. A PPP loan amount can be forgiven for paying certain expenses, and such amount is not included in income. It is clarified that no deduction will be denied, no tax attribute reduced, and no basis increase denied by reason of the exclusion from gross income.
- Repayment of employee payroll taxes deferred in 2020 was originally scheduled for the period January 1, 2021, through April 30, 2021. The period for repayment has been expanded to January 1, 2021, through December 31, 2021.
- The employer tax credit for providing emergency sick and family leave has been extended through March 31, 2021.
- A full deduction is now allowed for business meals provided by a restaurant for expenses paid or incurred in 2021 and 2022.

## RENT RELIEF

- The legislation allocates funds to state and local governments to provide emergency rental assistance through December 31, 2021.
- The legislation extends an eviction moratorium originally issued by the Centers for Disease Control and Prevention, but only through January 31, 2021.
- Paycheck protection program (PPP) loans have been extended and the allowable uses (eligible expenses) of the loan expanded. A PPP loan amount can be forgiven for paying certain expenses, and such amount is not included

## CHARITABLE GIVING

Enhancements to the normal charitable gifts deduction rules in 2020 have been extended through 2021.

- For those who itemize deductions, the limit on the charitable gifts deduction has been increased to 100% of AGI for direct cash gifts to public charities.
- For nonitemizers, a \$300 (increased to \$600 in 2021 for joint returns) charitable deduction for direct cash gifts to public charities is available (in addition to the standard deduction).

## OTHER TAX PROVISIONS

The floor for deducting medical expenses has been permanently lowered to 7.5% of AGI (it was scheduled to increase to 10% in 2021).

Starting in 2021, the deduction for qualified tuition and related expenses has been repealed. To make up for it, the modified adjusted gross income (MAGI) phaseout range for the Lifetime Learning Credit has been increased to be the same as the phaseout range for the American Opportunity Tax Credit.

A number of provisions that are periodically extended (often a year at a time) have been extended through 2025, including:

- The exclusion from gross income of discharge of qualified principal residence indebtedness
- The employer credit for paid family and medical leave
- The exclusion from income for certain employer payments of student loans

A number of other provisions have been extended (generally through 2021), including:

- The treatment of mortgage insurance premiums as qualified residence interest for purposes of the interest deduction
- The energy efficient home credit

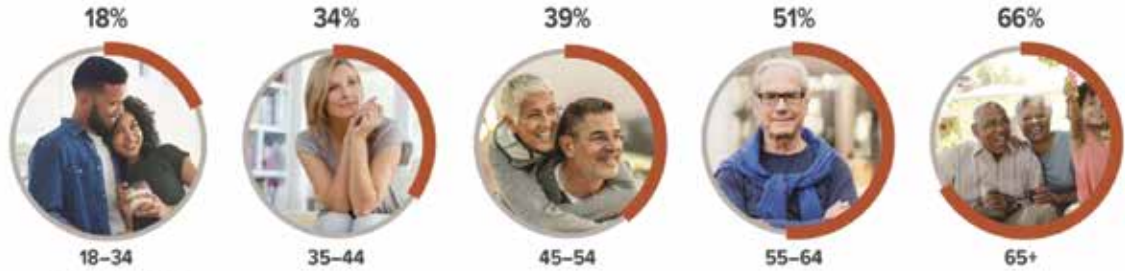


# TRUST & INVESTMENTS

## DO YOU HAVE A WILL?

Although 76% of U.S. adults say having a will is important, only 40% actually have one.

### PERCENTAGE OF U.S. ADULTS WHO HAVE A WILL, BY AGE GROUP



Source: Caring.com, 2019

Contact City State Bank Trust and Investments to review your estate plan or for attorney recommendations to get started.

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