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Dear clients and friends:

The coronavirus has resulted in an unprecedented response that will have economic consequences for several months, if not longer. As we all try to adapt to this situation, we thought we would share a few thoughts about things that you can do to minimize the effect of the economic fallout on your family:

Delay tax payments

Treasury Secretary Steve Mnuchin reported in a press conference this week that the payment due date for taxes would be extended until July 15, 2020. If you owe 2019 taxes, waiting until then to pay will help you maximize your available funds. The Secretary did not say whether the extended payment date would also apply to 2020 estimated taxes. Even if the IRS doesn't extend the time to pay 2020 estimated taxes, it might still be a good idea to delay paying your 2020 estimates in order to preserve your available cash. The IRS will charge a penalty on an underpayment of estimated taxes equivalent to the annualized IRS interest rate that they set each quarter (currently 5%). This interest rate is comparable to what a bank would charge for a line of credit to a customer with a good credit history. The penalty doesn't apply if your estimated taxes and withholding cover 90% of your ultimate 2020 tax.

Consider whether your 2020 estimated tax payments are necessary

We normally calculate estimated taxes for you using the "safe harbor" method. That is, we use your 2019 taxes and then calculate estimated taxes for you so that you pay estimated taxes totaling 110% of your 2019 liability (100% if your adjusted gross income is less than \$150,000). With all of the economic turmoil happening now, it is very likely that your 2020 income will be less than your 2019 income (unless your income sources are primarily fixed). If that is the case, keep in mind that to avoid the above mentioned interest charge that your estimated taxes need only cover 90% of your 2020 tax.

Defer required minimum distributions

For those that are getting distributions from your retirement funds, it might be a good idea to defer taking distributions until the stock market has stabilized some. Delaying distributions might allow you to avoid selling at depressed prices. Your required minimum distributions have to be taken during 2020, but there is no requirement that the payment be made at any particular time during the year.

Communicate with lenders

If this downturn puts you in a place where you are having trouble meeting your obligations, stay in regular conversation with your lenders. They might have deferment or forbearance options available to you. If nothing else, your being in conversation with them will show them that you are trying to be a responsible borrower and they will be more likely to work with you on a solution. The lenders all know that we are all doing our best to deal with this. You wouldn't be alone in having trouble meeting debt obligations. It might be tempting to bury your head in the sand and pretend nothing is happening. Resist that temptation.

Prioritize your cash payments

If things get tough, you might need to prioritize who gets the limited money that you have. We would prioritize food, shelter, utilities and transportation. Keep these things covered, and other obligations might just have to wait.

Reduce withholdings if you need money now

You can always reduce the federal and state withholding from your paycheck as an emergency measure. To do this, file an updated W-4 and G-4 with your employer. The IRS has an online calculator to help in completing the W-4 at <https://www.irs.gov/individuals/tax-withholding-estimator>. You can use this resource to determine how to complete a new W-4 that will result in more money in your pocket. A word of warning though: this is only a temporary fix and your 2020 taxes will still be due in April 2021. Also, if you reduce your withholding such that you have a balance due on your 2020 taxes, the 5% underpayment penalty mentioned above might apply. But, paying "interest" at this rate is a much better option than relying on credit cards or falling behind on your mortgage.

We are always here to help, especially during times of crisis. Please call us for individualized help in planning to weather this storm.

Very truly yours,

Treadwell Tamplin & Co.