



SPRING 2020

Dear Client:

We have heard from many of you regarding the provisions of the various legislative actions to help businesses and individuals. The business community was provided with funding options through the Economic Injury Disaster Loan (EIDL) emergency fund and Paycheck Protection Program (PPP) loan funds. Individual taxpayers have been offered protection through the Families First Coronavirus Response Act for mandated sick pay and/or family leave pay due to the coronavirus as well as various favorable tax benefits through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

In this issue we will try to break this down for you with the most meaningful information. The Internal Revenue Service has established a webpage with the most up-to-date and accurate tax information: <https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments>.

The information is updated by the U.S. Treasury and the IRS on a daily basis at times. If you see something in the mainstream press or on social media, we recommend you verify the information on the IRS website or with our office. We are aware there is a lot of misinformation, especially on social media, regarding various tax provisions. We are here to help you understand the tax benefits to which you may be entitled.

If you have received the PPP loan funds and are working through the process of the Loan Forgiveness Application, our office is here to provide assistance with completing the application.

We look forward to being able to meet with you all personally. Stay safe and healthy.

ECONOMIC INJURY DISASTER LOAN (EIDL):

Originally designed to help businesses, homeowners, nonprofits, and renters as a result of natural disasters, the EIDL funds were used for disaster damage to private property that is not fully covered by insurance. The SBA is the primary source of federal money for long-term disaster recovery. As a result of the coronavirus, this program was expanded to include assistance for small business with less than 500 employees.

While the EIDL program has reached capacity and is no longer accepting applications (with the exception of agricultural entities) the SBA continues to work the over 5 million applications that were received when the program became available. There were two components to the EIDL program: 1) a grant up to \$10,000 (based on \$1,000 per employee), and 2) loan program for all business and nonprofits based on underwriting approval.

Other loan programs through the SBA include the SBA Express Bridge Loans which enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000.

Soon to become available through the Federal Reserve Bank is the Main Street Lending Program to support lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic.

FAMILIES FIRST CORONAVIRUS RESPONSE ACT (FFCRA)

As our economy opens up, businesses reopen and interactions with others increase, there is relief for employees who may be impacted by the coronavirus. The following benefits are mandated by the FFCRA and fully refundable to the employer through the U.S. Treasury. The IRS has outlined procedures to help the employers provide for this mandate which includes postponement of payment of the payroll taxes held in escrow or submission of Form 7200, Advance Payment of Employer Credits Due to COVID-19. *Contact our office if you have any questions regarding these credits and how to apply.*

There are two (2) major provisions of the legislation signed into law on March 18th, the Emergency Paid Sick Leave Act and Emergency Family and Medical Leave Expansion Act. Employers with fewer than 500 employees are subject to this Act which is totally funded by the U.S. government. The provisions of the new law will be effective as of April 1, 2020 through December 31, 2020. No unused portion of this provision will carryover to 2021 and no benefits are due on separation of service.

Under the Act there may be a total of 12-weeks of paid leave available. The first two weeks would be provided by the Emergency Paid Sick Leave Act based on certain criteria and the subsequent ten (10) weeks would be covered by the Emergency Family and Medical Leave Expansion Act (EFMLEA). They are not reliant upon each other and you may qualify for the EFMLEA without a COVID-19 diagnosis, it is just that the first ten (10) days would be unpaid under these provisions. Your employer may still provide benefits, or you may be able to draw down on available vacation or personal time off (PTO).

Emergency Paid Sick Leave Act (E-PSL)

For those full and part-time employees who are unable to work or telework for reasons related to COVID-19 (the coronavirus) will be eligible for up to 80 hours of additional emergency paid sick leave regardless of how long you have worked for your employer. There are six (6) different scenarios which determine the maximum amount of payment:

1. If you are subject to a quarantine or isolation order related to the COVID-19, the pay is the greater of your regular rate or the applicable minimum rate which is capped at \$511 per day for a maximum benefit of \$5,110. Part-time employees pay would be based on the average numbers of hours over the last six (6) months or hours would normally be scheduled (if employment is for less than six (6) months).
2. If you have been advised by a health care provider to self-quarantine due to COVID-19 concerns, the pay is the greater of your regular rate or the applicable minimum rate which is capped at \$511 per day for a maximum benefit of \$5,110. Part-time employees pay would be based on the average numbers of hours over the last six (6) months or hours would normally be scheduled (if employment is for less than six (6) months).
3. If you choose to obtain a medical diagnosis because you are experiencing symptoms of COVID-19 (people may experience: cough, fever, tiredness, difficulty breathing (severe cases)), the pay is the greater of your regular rate or the applicable minimum rate which is capped at \$511 per day for a maximum benefit of \$5,110. Part-time employees pay would be based on the average numbers of hours over the last six (6) months or hours would normally be scheduled (if employment is for less than six (6) months).
4. If you are caring for or assisting an individual who is subject to an order (described in 1 or 2 above) then the pay is at two-thirds (2/3) of the greater of the employees' regular rate or applicable minimum wage but capped at \$200 per day for a maximum benefit of \$2,000.
5. If you are caring for your child because of school or daycare closure, or because the childcare provider is unavailable due to COVID-19, then the pay is at two-thirds (2/3) of the greater of the employees' regular rate or applicable minimum wage but capped at \$200 per day for a maximum benefit of \$2,000.
6. The employee is experiencing any other substantially similar condition specified by Human Health Services, then the pay is at two-thirds (2/3) of the greater of the employees' regular rate or applicable minimum wage but capped at \$200 per day for a maximum benefit of \$2,000. This provision has not yet been fully defined and we are still not sure what would qualify.

As a condition of the Act, the employer may not require the employee to find a replacement to cover your scheduled hours. You may first use your own accumulated sick pay; however, the employer cannot require you to do so.

Emergency Family and Medical Leave Expansion Act (EFMLEA)

This provision is generally available to employees with at least 30 days of employment (whereas the E-PSL is available even if only employed one (1) day). There is only one qualifying criteria for this provision:

If you are unable to work or telework due to a need to care for a child under the age of 18 because the school or childcare provider is closed as a result of a COVID-19 restrictions announced by government authority.

The first 10 days of leave may be unpaid (unless you qualify under the E-PSL provisions) or if you elect to use your accumulated vacation or PTO days. The EFMLEA is an additional extension of time after the first 10 days, for a maximum of ten (10) weeks. The amount of the leave pay is limited to \$200 per day with a maximum of \$10,000.

PAYCHECK PROTECTION PROGRAM (PPP) LOAN

This program, designed for small businesses under 500 employees, is available through SBA approved lender banks. The short version of this loan program follows. *For assistance with this loan or for the PPP Loan Forgiveness Application contact our office.*

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Small businesses can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other lenders, such as Square, Paypal, Kabbage, Intuit, etc are also approved for the PPP loan program (a complete listing of lenders is available on the Small Business Administration (sba.gov) website). Lenders began processing loan applications on April 3, 2020 and the Paycheck Protection Program will be available through June 30, 2020.

This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors, and self-employed persons), private non-profit organization or IRC section 501(c)(19) veterans organizations affected by COVID-19. Small businesses in the hospitality and food industry with more than one location could also be eligible if their individual locations employ less than 500 workers.

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (of which, at least 75% of the forgiven amount must have been used for payroll) for a specified 8-week period. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

If the funds are not fully forgiven, the loan payments will be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge any fees to the small business. This loan has a maturity of two years and an interest rate of 1%.

The SBA has recently released the PPP Loan Forgiveness Application which is to be completed and submitted to the lending institution as they reach the end of the 8-week period. The application, instructions and other information is available on the sba.gov website.

Our office is available to assist you with the PPP Loan program and the application for forgiveness of the loan.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

There are many tax provisions in the CARES Act which assist both individuals and businesses. Here we are addressing those which are of most concern to our clients – this is not a comprehensive list. *Contact our office if you have any questions regarding the tax benefits of the CARES Act and how they may apply to your tax situation.*

- ☑ Economic Impact Payment – is available to U.S. citizens and U.S. resident aliens of \$1,200 per taxpayer (and spouse) and \$500 for dependent children under the age of 17. The full amount will be reduced if the individual income exceeds \$75,000 for individuals (or \$150,000 for couples). While many payments have been issued, the IRS continues to send out economic impact payments daily.
- ☑ Pandemic Unemployment Assistance (PUA) – provides an additional \$600 per week for each recipient of unemployment for up to four months.
- ☑ The 10% penalty for early withdrawal from a retirement plan or IRA is waived if the funds are for a coronavirus-related distribution. A coronavirus-related distribution is one made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19.
- ☑ The requirement minimum distribution (RMD) for taxpayers 70 ½ or older and their beneficiaries has been waived for 2020.
- ☑ The distributions from retirement plans and IRAs, while not subject to the penalty are still subject to tax. The income from the distribution can be reported over three years starting in 2020.
- ☑ Under current regulations, if funds are taken from an IRA and rolled back into the fund within 60 days then the distribution is not subject to tax. Under the CARES Act, distributions as a result of the coronavirus can be rolled over for a period of three years.
- ☑ Charitable contributions will be allowed up to 100% of AGI for 2020 (an increase from the current limitation of 60% of AGI). Taxpayers who do not itemize will be able to claim an additional standard deduction of up to \$300 for qualified charitable deductions.
- ☑ Tax Season Extended - the Internal Revenue Service (IRS) has extended the due date for both tax returns and any tax liabilities due. Any amounts due will not be subject to interest, penalties, or additions to tax as long as they are paid by July 15, 2020.
 - The IRS has also extended the time to pay the first and second quarter estimated taxes, normally due by April 15 and June 15. Those payments have also been extended to July 15, 2020 and will not be subject to interest and/or penalty.
 - This relief applies to all tax returns which includes individual (Form 1040), trust and/or estate (Form 1041), partnership (Form 1065), association (Form 990), and company or corporation (Forms 1120 and 1120-S). The forms to request an extension of time to file are not required to get the benefit of this automatic filing (and payment) extension.
 - If an additional extension of time to file is required beyond the due date of July 15, 2020 then Forms 4868 (for individuals) or 7004 (for business returns) must be filed to receive the extension of time to file until October 15th for individuals and corporations and September 15th for S-corporations, partnerships and trusts/estate tax returns.
- ☑ The deadline to fund IRAs, HSAs and HRAs has also been extended to July 15, 2020
- ☑ The (CARES) Act, provides automatic suspension of principal and interest payments on federally-held student loans through September 30, 2020. These suspended payments will count towards any student loan forgiveness program, as long as all other requirements of the loan forgiveness program are met. This does not apply to private (non-federal) student loans owned by banks, credit unions, schools, or other private entities.

And the final word for deceased taxpayers receiving the economic impact payment is: A deceased individual is not an eligible person and therefore not entitled to a payment. The IRS has released guidance on what to do if a deceased individual receives a payment. A payment made to someone who died before receipt of the payment should be returned to the IRS by following the instructions about repayments. Return the entire payment unless the payment was made to joint filers and one spouse had not died before receipt of the payment. In this case, the surviving spouse

only needs to return the portion of the payment made on account of the decedent. The IRS has not announced what penalty would be applicable if the funds are not returned by the estate or surviving spouse.

PEOPLE FIRST INITIATIVE

In March 2020, the IRS announced a new program titled, "People First Initiative." "The IRS is taking extraordinary steps to help the people of our country," said IRS Commissioner Chuck Rettig. "In addition to extending tax deadlines and working on new legislation, the IRS is pursuing unprecedented actions to ease the burden on people facing tax issues. During this difficult time, we want people working together, focused on their well-being, helping each other and others less fortunate."

Some of the relief offered to taxpayers through the People First Initiative include:

Existing Installment Agreements –For taxpayers under an existing Installment Agreement, payments due between April 1 and July 15, 2020 are suspended. Taxpayers who are currently unable to comply with the terms of an Installment Payment Agreement, including a Direct Debit Installment Agreement, may suspend payments during this period if they prefer.

New Installment Agreements – The IRS reminds people unable to fully pay their federal taxes that they can resolve outstanding liabilities by entering into a monthly payment agreement with the IRS through their online payment application.

Non-Filers –The IRS reminds people who have not filed their return for tax years before 2019 that they should file their delinquent returns. More than 1 million households that have not filed tax returns during the last three years are actually owed refunds; they still have time to claim these refunds.

Field Collection Activities – Liens and levies (including any seizures of a personal residence) initiated by field revenue officers will be suspended during this period. However, field revenue officers will continue to pursue high-income non-filers and perform other similar activities where warranted.

Automated Liens and Levies – New automatic, systemic liens and levies will be suspended during this period.

Passport Certifications to the State Department – IRS will suspend new certifications to the Department of State for taxpayers who are "seriously delinquent" during this period. These taxpayers are encouraged to submit a request for an Installment Agreement or, if applicable, an OIC during this period. Certification prevents taxpayers from receiving or renewing passports.

Private Debt Collection – New delinquent accounts will not be forwarded by the IRS to private collection agencies to work during this period.

Field, Office, and Correspondence Audits – During this period, the IRS will generally not start new field, office, and correspondence examinations. They will continue to work refund claims where possible, without in-person contact. However, the IRS may start new examinations where deemed necessary to protect the government's interest in preserving the applicable statute of limitations.

- **In-Person Meetings** – In-person meetings regarding current field, office and correspondence examinations will be suspended. Even though IRS examiners will not hold in-person meetings, they will continue their examinations remotely, where possible. To facilitate the progress of open examinations, taxpayers are encouraged to respond to any requests for information they already have received - or may receive - on all examination activity during this period if they are able to do so.
- **Unique Situations** – Particularly for some corporate and business taxpayers, the IRS understands that there may be instances where the taxpayers desire to begin an examination while people and records are available and respective staffs have capacity. In those instances when it is in the best interest of both parties and

appropriate personnel are available, the IRS may initiate activities to move forward with an examination -- understanding that COVID-19 developments could later reduce activities for an agreed period.

- **General Requests for Information** – In addition to compliance activities and examinations, the IRS encourages taxpayers to respond to any other IRS correspondence requesting additional information during this time if possible.

Earned Income Tax Credit and Wage Verification Reviews – Taxpayers have until July 15, 2020, to respond to the IRS to verify that they qualify for the Earned Income Tax Credit or to verify their income. These taxpayers are encouraged to exercise their best efforts to obtain and submit all requested information, and if unable to do so, please reach out to the IRS indicating the reason such information is not available. Until July 15, 2020, the IRS will not deny these credits for a failure to provide requested information.

Independent Office of Appeals – Appeals employees will continue to work their cases. Although Appeals is not currently holding in-person conferences with taxpayers, conferences may be held over the telephone or by videoconference. Taxpayers are encouraged to promptly respond to any outstanding requests for information for all cases in the Independent Office of Appeals.

Statute of Limitations – The IRS will continue to take steps where necessary to protect all applicable statutes of limitations. In instances where statute expirations might be jeopardized during this period, taxpayers are encouraged to cooperate in extending such statutes. Otherwise, the IRS will issue Notices of Deficiency and pursue other similar actions to protect the interests of the government in preserving such statutes. Where a statutory period is not set to expire during 2020, the IRS is unlikely to pursue the foregoing actions until at least July 15, 2020.

Be sure to contact our office if you have any questions regarding your tax situation and the tax relief offered through this initiative.