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April 3, 2020

**Coronavirus Aid, Relief, and Economic Security
(CARES) Act**

The “Coronavirus Aid, Relief, and Economic Security Act” (Cares Act) includes many tax and financial breaks for both individuals and businesses.

The IRS has postponed the due date for filing Federal income tax returns and tax payments due on April 15, 2020 until July 15, 2020. This applies to any 2019 federal income tax returns due April 15, 2020.

If you have already filed a return that included a direct debit for a tax due, and you want to postpone the withdrawal date, that withdrawal can be cancelled by calling the IRS e-file Payment Services 24/7 at 1-888-353-4537. You will have to wait 7-10 days after the return was e-filed to call. Cancellation requests must be made no later than 11:59 p.m. ET two business days prior to the scheduled payment date. Once the payment has been cancelled it will have to be rescheduled (or the tax paid by other means) to no later than July 15, 2020.

2020 Recovery Rebates

The most talked about provision is the “recovery rebates” for individuals. Each eligible individual will receive \$1,200 (\$2,400 for married couples filing jointly) plus an additional \$500 for each qualifying child (under age 17 at years old). These rebates are intended for low- to middle-income individuals, so they are phased out for higher income folks. For unmarried individuals the credit begins to phase out at \$75,000 and is fully eliminated at \$98,990. For those filing as head of household, the phase-out range is \$112,500 to \$136,490, and for married couples filing jointly it is \$150,000 to \$197,990. Where no 2019 return has been filed at the time of the rebate payment, the Treasury will use the 2018 tax return. The Treasury will provide a payment to individuals that received 2019 Social Security or Railroad Retirement benefits.

In the coming weeks, for those individuals that have either not previously had direct deposit for taxes or their banking information has changed, the IRS plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail. The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment.

Unemployment

The CARES Act includes an unemployment assistance program for individuals who under normal circumstances would not qualify for unemployment benefits, which traditionally have only applied to employees. Under the CARES Act, unemployment benefits are now available for self-employed individuals, independent contractors and others – even some with limited work history – who are unable to work because of the coronavirus emergency.

Benefits paid under this provision will include the amount allowed under state law plus \$600 per week from the Federal government for a period of up to four months. The benefit period is extended to 39 weeks (normally 26 weeks in most states). The usual one-week waiting period before receiving benefits is waived. These special benefits only apply beginning on January 27, 2020 and ending on December 31, 2020

Housing

Borrowers of government-backed mortgages (Fannie Mae, Freddie Mac, HUD, VA and USDA) can request up to 360-day payment forbearance without proof of hardship. No additional fees, interest, or penalties can be assessed for the forbearance. Except for Abandoned or vacant property, there may be no foreclosure actions for 60 days from March 18, 2020.

Owners of multifamily properties who were current on their mortgage payments as of February 1, 2020 and have a federally insured, assisted, or supplemental loan (Fannie Mae, Freddie Mac, FHA or any loans backed or assisted by any branch of the federal government, including LIHTC) may request forbearance for 30 days due to financial hardship, with extensions of up to a total of 90 days. Borrowers receiving the forbearance may not evict or charge late fees to tenants for the duration of the forbearance period.

Penalty Free Retirement Withdrawals

Penalty-free withdrawals from qualified retirement plans (including 401(k)s, TSAs, SEPs and traditional IRAs) are allowed. The withdrawals are limited to \$100,000 and the income is taxable over a three-year period with an option to also recontribute the withdrawal over a three-year period.

RMD Waiver

There is a one-year waiver for the 2020 required minimum distribution (RMD) from qualified plans and traditional IRAs for taxpayers that turned 70.5 in a year before 2020 and those that turn 72 in 2020. This prevents them from having to take a distribution when the stock market is in a decline.

Charitable Contributions

A suspension of charitable contribution limits applies for 2020. Generally, for cash gifts, tax deductible charitable contributions are limited to 60% of adjusted gross income (AGI). The suspension of the limitation will allow taxpayers to make larger charitable contributions during this trying time. Also included is an above-the-line charitable deduction limited to \$300 of cash donations for those that don't itemize their deductions.

Businesses:

An Economic Injury Disaster Loan issued by the SBA will make loans "available statewide to small businesses and private, non-profit organizations to help alleviate economic injury caused by the Coronavirus (COVID-19)." The loans offer up to \$2 million in assistance and can help small businesses to overcome the temporary revenue losses they may be experiencing.

For small businesses, the interest rate will be 3.75%. The interest rate for non-profits is 2.75%.

Terms for these loans will be determined on a case-by-case basis, depending upon the borrower's repayment ability. SBA does offer loans with long-term repayment options up to a maximum of 30 years in order to help keep borrowers' payments affordable.

<https://covid19relief.sba.gov/#/>

Emergency Economic Injury Disaster Loan (EIDL) Grants

This loan is available to businesses with 500 or fewer employees that have been impacted by the crisis. The business must show hardship due to the Coronavirus. Economic Injury Disaster Loan may be used for paid sick leave to employees impacted by COVID-19, payroll, rent or mortgage payments, debt obligations due to loss revenues, and increased costs due to chain supply disruptions and materials.

SBA Payroll Protection Program

Beginning April 3rd, you can apply for the Federal Paycheck Protection Program through your business financial institution website. After completing the application process, you will receive online confirmation of the submission. To prepare for your application process, the following documents will be required:

2019 Payroll – total payroll for full year 2019, by employee, as reported to the IRS;

2019 Independent Contractor Costs – Listing of 1099's-MISC for 2019 independent contractors, by person, as reported to the IRS (Note: Do not include 1099's for services);

Payroll report as of February 15, 2020 or closet date after that date, by employee
Communication regarding the status of your application will be through email.

On April 10, 2020, independent contractors and self-employed individuals can begin applying. The SBA advises that all businesses should “apply as quickly as you can because there is a funding cap.”

Businesses with 500 employees or fewer, including sole proprietors and independent contractors, are eligible for SBA loans in response to COVID-19 covering expenses for the period of February 15, 2020 through June 30, 2020. The loan amount will be 250% of the average salary expenditures per month for the year prior to the loan, up to \$10 million. SBA Payroll Protection Program (Loan) can be used for payroll, including for independent contractors and employees who work on commission; rent/mortgage interest; and utilities. All or a portion of these loans will be forgivable for businesses that maintain at least 75% of the average payroll levels as in the previous year; forgivable amounts phase out as employer’s payroll levels drop below that.

Delay of Payment of Employer Payroll Taxes

Employers and self-employed individuals are allowed to defer payment of the employer share of the Social Security taxes of employees (this is one-half of the self-employment taxes of a self-employed individual) that arise between the effective date of the act and the end of 2020. The deferred tax can be paid over two years, with half required to be paid by December 31, 2021, and the other half due by December 31, 2022. Employers who take advantage of SBA loans designated for payroll are not eligible.

Employee Retention Credit for Employers Subject to Full or Partial Closure

Eligible employers can receive a refundable tax credit against payroll taxes for 50% of wages paid to certain employees during the COVID-19 crisis. For employers with 100 or fewer full-time employees, all employee wages are eligible for the credit, regardless of whether an employee is furloughed or has hours reduced. The credit is provided for wages paid or incurred from March 13 through December 31, 2022. The credit is not available to employers receiving Small Business Interruption Loans.

Modifications for Net Operating Losses

Allows businesses to carry back net operating losses from 2018, 2019 or 2020 against profitable years, up to five years, and get immediate refunds. The current taxable income limitation is also temporarily removed to allow an NOL to fully offset income.

Modifications of Limitation on Business Interest

Temporarily increases the amount of interest expense that businesses are allowed to deduct by increasing the 30% limitation to 50% of taxable income for 2019 and 2020. Special rules apply for partnerships. This will provide relief for larger businesses (including commercial real estate firms) with interest expense (firms with average annual gross receipts of \$25 million are generally exempt from the interest deduction limitation rules).

I hope this clears up any concerns regarding the CARES Act. Thank you for your continued business and I hope you are staying safe and healthy during these uncertain times.

Sincerely,

A handwritten signature in blue ink that reads "Cheryl Ross". The signature is written in a cursive, flowing style.

Cheryl Ross
Tax Preparer