

## CORONAVIRUS PHASE II & III RELIEF UPDATE

On March 27, the House of Representatives passed the Coronavirus Aid, Relief and Economic Security (“CARES”) Act. President Trump has said he will sign the measure once it reaches his desk. This act which is the third phase to date of Coronavirus relief provided by the government is a \$2 trillion-dollar tax and spending package that provides much anticipated financial and tax relief. The second phase to the Coronavirus relief was signed into law on March 18.

---

### Key Provisions Include:

- Formalizes extension to file and pay income taxes to July 15
- Paid leave required to by employers to employees
- SBA “Paycheck Protection” loan program
- Employee retention credit
- Payroll tax deferrals for businesses and self-employed taxpayers
- Accelerated ability of corporations to utilize alternative minimum tax (AMT) credits
- Limitations on business interest are reduced
- Qualified improvement property is now eligible for bonus depreciation
- Recovery checks to individuals of up to \$1,200 per taxpayer and \$500 per child
- Increased unemployment insurance benefits of up to an additional \$600 per week
- Waivers of Required Minimum Distributions
- Hardship distributions or loans from retirement plans of up to \$100,000 available
- Expanded charitable deductions
- Suspended payments and interest accrual on student loans for six months
- Exclusion from income of employer payment of student loan debt
- Reinstated net operating loss carrybacks and suspension of usage limitations
- Temporary removal of limit on individual excess business losses

Below is a brief description of selected tax provisions in the legislation.

---

### KEY INDIVIDUAL TAX PROVISIONS

**Recovery Payments** – Qualifying taxpayers will receive rebate checks of up to \$1,200 per person (\$2,400 for joint filers) and an additional \$500 per qualifying child. This benefit phases out for married taxpayers with adjusted gross income (AGI) over \$150,000. (\$75,000 for single taxpayers). Qualifying children are those who qualify for the child tax credit.

**Paid Leave** – Effective April 1, 2020, employers with between 50 and 500 employees must offer paid leave to all employees for between two and 10 weeks of pay at either 100% or 67% of their regular rate of pay depending upon the reason of leave for the employees. These payments are fully refundable to employers on their quarterly payroll tax returns.

**Retirement Fund Distributions and Loans** – Certain taxpayers who are diagnosed with the virus or experience financial hardship as a result of the crisis may take a distribution of up to \$100,000 from a qualified retirement plan without incurring the 10% penalty for early withdrawal. These distributions are

still taxable but the taxpayer may elect to recognize the income over 3 tax years or may pay back the distribution within three years instead. The limit on loans from retirement plans is also increased to \$100,000 for 180 days after the act is passed.

**RMD Requirements are Waived** – Taxpayers who have not yet taken required minimum distributions in 2020 will not be required to take a distribution this year.

**Expanded Charitable Deductions** – Taxpayers who take the standard deduction, and thus are not usually able to benefit from making charitable deductions may take a deduction of up to \$300 reducing their adjusted gross income. Additionally, the percentage of income limit is suspended for individuals for 2020 and the corporate income limitation is increased from 10% to 25%.

**Cap on Excess Business Losses for Individuals is Deferred** – The \$250,000 single (\$500,000 married) limitation on business losses claimed by non-corporate taxpayers is suspended for 2020 and retroactively eliminated for 2018 and 2019.

---

## KEY BUSINESS TAX PROVISIONS

**SBA “Paycheck Protection” Loan Program (PPP)** - The PPP is a potentially forgivable loan, up to 250% of a small business’s average monthly payroll costs, for two months. The maximum loan amount is \$10 million and if you retain your employees and payroll for two months after receiving the loan, the loan is forgiven, converted to a grant. Loans are available through June 30, 2020 and are retroactive to February 15, 2020. The program provides cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this COVID-19 emergency. Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020.

**Employee Retention Credit** – Certain employers impacted by the virus that continue to pay their employees will be eligible for a tax credit against the employer’s share of the 6.2% social security tax.

**Extended Time to Pay Employer Payroll Taxes** – Businesses and self-employed taxpayers will receive additional time to pay the 6.2% social security tax on wages and self-employment income. Businesses will be required to pay half of the taxes deferred by the end of 2021 and the remainder by the end of 2022. The employee portion of the payroll taxes will still be required to be collected and remitted. Since self-employed taxpayers pay both parts, they will still need to pay half of the self-employment tax as usual and the other half will be deferred as above.

**Net Operating Losses** – The 80 percent of income limitation on utilizing net operating loss carryforwards is temporarily suspended retroactively to 2018 and losses incurred in 2018-2020 may be carried back 5 years.

**Qualified Improvement Property** – The “retail glitch” in the Tax Cuts and Jobs Act is corrected retroactively to 2018 allowing a 15-year recovery period for qualified improvement property which makes such improvements eligible for 100% bonus depreciation.



**Business Interest Limitation** – The rule limiting business interest deduction to 30 percent of adjusted income for certain taxpayers is relaxed, increasing the limit to 50 percent.

---

Look for additional updates from us in the coming week with more details on these relief provisions and the previously enacted relief. This legislation will put cash in the hands of taxpayers to help them cover daily expenses and support our economy, and will help businesses improve cash flow by deferred current year tax expenses, recoup taxes paid in 2018 and 2019, and obtain loans if necessary.

Please contact us with any questions about what this legislation means to you and how you can take advantage of its provisions.