



## CARES Act and other COVID-19 Relief Matters Related to Small Business

April 1, 2020

As the COVID-19 pandemic continues to affect us locally, nationally, and globally, we are working to stay informed on the matters impacting you. We continue to prepare and file tax returns, as well as provide business consultations and accounting services, without in-person meetings. Our office remains open for drop off and scheduled pick up of materials that cannot be provided electronically.

Digital Tax Return Options: To upload documents, go to [pittscca.com](http://pittscca.com), Client Upload. If not already receiving your e-file authorization request by digital signature, let us know if that is a better option for you. In an effort to keep you informed during this time of uncertainty and hardship for many, below are what we see as the key points for small business from recent relief efforts.

### Small Business Emergency Loans

Two loan avenues, and you may apply & be granted both, as long as for separate expenditures.

For businesses and sole proprietors with less than 500 employees.

### Sick and Child Care Leave Tax Credits

Families  
First  
Coronavirus  
Response  
Act, H.R.  
6201

### Key Tax

**Economic Injury Disaster Loans (EIDL)** – emergency advance of \$10,000, to be processed within 3 days, and does not have to be repaid. Apply online at [SBA EIDL Application](#). This application initiates both your advance, and your EIDL loan application. Loans up to \$2 million, with loans less than \$200,000 not requiring personal guarantee. 30 yr loans at 3.75% interest (2.75% for eligible nonprofits).

Businesses with an existing SBA lender relationship can access up to \$25,000 with less paperwork through the [Express Bridge Loan Pilot Program](#), which will be repaid in full or in part by proceeds from the EIDL loan.

**Paycheck Protection Program Loans (PPP)** loan for payroll and other expenses, that is eligible for forgiveness of eight weeks of payroll & other costs (healthcare, rent, mortgage, & utilities) provided the workforce is maintained & other requirements. Applications through FDIC insured lenders. Nonprofits (501c3) may also apply. The maximum loan amount is 2.5X average monthly payroll. Payments are deferred for 6 – 12 months on any unforgiven portion of the loan, then loan term of 2 years at .5% interest. Note: Business not eligible for payroll tax credits and payroll tax deferral under this program. For more information, [Small Business Administration PPP Program](#) or [PPP Program FAQ](#). Small business & nonprofit applications will be accepted by the SBA beginning 4/3/20, and applications for independent contractors and self-employed on 4/10/20.

Two new refundable payroll tax credits, designed to immediately and fully reimburse small to mid-size employers the cost of providing Coronavirus-related leave to their employees incurred between April 1, 2020 and December 31, 2020. Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or child care is unavailable in cases where the viability of the business is threatened.

**Paid Sick Leave Credit for Employers** – Refundable credit for employee quarantined &/or experiencing COVID-19 symptoms & seeking medical diagnosis at regular pay up to \$511/day for total of 10 days. For caring for child due to COVID-19/child care unavailable, refundable credit of 2/3 pay up to \$200/day for 10 days. Plus, employee's health insurance costs.

**Paid Child Care Leave Credit for Employers** – In addition to sick leave credit, refundable child care credit due to COVID-19/child care unavailable @ 2/3 regular pay, up to \$200/day for 10 weeks, plus cost of employee's health insurance.

Employers may deduct eligible paid sick leave credits and child care leave credits from payroll tax deposits otherwise due for all employees (including federal withholding and both employer and employee portions of Social Security and Medicare taxes). For credits that exceed the payroll tax liability, employers will be able to request an expedited payment (2 weeks or less) from the IRS.

The employer portion of social security tax is not due on qualified leave wages.

For more information, contact your payroll service provider or go to [IRS](#).

### Employee Retention Credit

Refundable credit of 50% of up to \$10,000 (annual max) in wages per employee if

## Provisions for Businesses

a business is financially impacted by COVID-19, but continues to pay its employees from 3/13/20 – 12/31/20.

- Eligibility in one of two ways
  - operations were fully or partially suspended by government order during any calendar quarter.
  - business remained open, but during any calendar quarter in 2020, gross receipts for the quarter were less than 50% of the same quarter in 2019
- Entitled to a CREDIT for each quarter, until the business has a quarter where it's recovered, such that its receipts exceed 80% of what they were for the same quarter the previous year
- Each eligible quarter the business receives a credit against payroll taxes withheld equal to 50% of the "qualified wages" paid to EACH employee for that quarter, up to a maximum of \$10,000 per employee.
- If an employer takes out a "paycheck protection loan" - NO employee retention credit will be available. Also, no duplication of wages included in the FFCRA paid leave credit

### **Delay of Payment of Employer Payroll Tax and Self-employment tax**

- An employer that incurs its 6.2% of FSS tax in 2020 may
  - defer payment of that tax until 2021 and 2022, but
  - receive an immediate credit against yet-to-be-paid payroll taxes via the sum of the emergency medical leave credit, sick leave credit, and new employee retention credit
- If an employer takes out a "paycheck protection loan" - NO deferral will be available

### **Qualified Improvement Property Deduction Increased**

- Technical correction made to qualified improvement property giving it its intended 15-year life, making the change retroactive to January 1, 2018. This provides opportunity to accelerate write off of certain improvements, including leasehold improvements, from 39.5 years to 15 years, and apply bonus depreciation to allow for up to 100% write-off. If previously filed 2018 or 2019 tax returns include such improvements, the return(s) may be amended.

### **Changes to the NOL (Net Operating Loss) Rules**

- Losses from 2018, 2019, and 2020, will be permitted to be carried back for up to five years
- Losses carried to 2019 and 2020 will be permitted to offset 100% of taxable income as opposed to 80%

### **Temporary (and Retroactive) removal of section 461(1) (Limitations on Excess Business Losses of Non-corporate Taxpayers)**

- "Net business loss" an individual may use in a year to offset other sources of income was capped at \$250K (if single, \$500K if married filing jointly)
- There is a temporary halt on section 461(1) for 2020 and is retroactive to January 1, 2018.
- Taxpayer can file an amended return to claim a refund for 2018 and 2019

### **Changes to the Interest Limitation rules**

- Increase interest expense deduction limit from 30% to 50% of "adjusted taxable income" for 2019 and 2020

- Filing & payment of tax due is deferred from 4/15/20 for C Corps to 7/15/20. No form is required. You may also file the return prior to 7/15/20 & schedule the payment for any time up to 7/15/20.
- Payment of 1st quarter 2020 estimated payment due 4/15/20 is extended to 7/15/20. Note: estimated payment due 6/15/20 has *not* been deferred.

No form required. [See IRS Extended Deadlines](#) for additional information.

## Extended Filing & Tax Payment Deadline

## Other Key Provisions

**IRS Collections Relaxed** allowing taxpayers under existing installment agreement(s) to defer payments due from 4/1/20 – 7/15/20, although interest will accrue. Liens and levies (including any seizures of a personal residence) initiated by field revenue officers and automatic, systemic liens and levies will be suspended during this period.

Let us know if we can be of assistance to you as we navigate this uncertain time together.

Wishing you health and peace of mind,

Linda & Brandon Pitts

