

CARES Act at a glance

RELIEF FOR INDIVIDUALS

Recovery Tax Rebates

- rebates for the 2020 tax year of up to \$1,200 per individual (or \$2,400 for joint return filers), plus \$500 per child under 17
- phase out for single individuals with incomes (AGI) between \$75,000 and \$99,000, and joint return filers with incomes between \$150,000 and \$198,000
- phased out for single individuals and joint return filers (with no children) with incomes exceeding \$99,000 and \$198,000, respectively
- the IRS will use the taxpayer's 2019 tax return if filed or alternatively the taxpayer's 2018 tax return to issue the advance tax rebate

to determine how much you will get, use this calculator : <https://www.omnicalculator.com/finance/stimulus-payment>

Deadlines for the following have been extended to July 15, 2020

- filing of federal income tax returns and federal income tax payments by individuals, estates, and trusts (usually due April 15, 2020)
- federal deadline for 1st quarter 2020 estimated tax payments has also been extended to July 15, 2020
- deadline to make IRA contributions for 2019 is also extended to July 15, 2020
- extended deadline applies to 2019 Health Savings Account, Archer Medical Savings Account, and Coverdell Education Savings Account

for further information : <https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers>

RELIEF FOR INDIVIDUALS

Charitable Contributions

- individuals may deduct cash contributions in 2020 up to 100% of their AGI with the suspension of the 60% income limitation of charitable deductions for cash contributions
- above the line deduction for cash contributions up to \$300 to certain charitable organizations for taxpayers that elect not to itemize deductions

exclusions

- charitable contributions carried over from a prior tax year (before 2020) are excluded from this temporary relief and are subject to previous limitations in the tax code
- charitable contributions to private non-operating foundations, supporting organizations and sponsoring organizations to fund donor advised funds do not qualify for the modified percentage limitations for 2020

Charitable Contributions - Corporations

- the percentage limitation on the corporate income tax charitable deduction increased from 10 to 25 percent of the corporation's taxable income for 2020
- for charitable contributions by partnerships or S corporations each partner or shareholder must separately elect to use the modified percentage limitations
- any charitable contribution exceeding the limits discussed above may be carried forward and used in later years subject to certain limits

RELIEF FOR RETIREMENT ACCOUNTS

Required Minimum Distributions waived for 2020

- 2019 RMDs due by April 1, 2020 (if delayed to January 1, 2020 or later)
- 2020 RMDs from company and plans and IRAs
- 2020 RMDs for plan, IRA and Roth IRA beneficiaries
- applies to IRA beneficiaries subject to the 5-year rule who inherited from 2015 to 2020, the 5-year rule becomes a 6-year rule

Required Minimum Distributions taken this year can be undone if they are eligible to be rolled over.

To be eligible:

- must be within 60 days
- there must not have been an IRA-to-IRA or Roth IRA to Roth IRA rollover in the 12 months preceding the receipt of the 2020 RMD
- non-spouse beneficiaries cannot undo RMDs already taken (since they cannot do a 60-day rollover)

QCDs

- if all or part RMD was transferred to a charity as a QCD, amount excluded as income
- once an IRA owner reaches age 70 ½, they can still do a QCD whether they are subject to RMDs or not

RELIEF FOR RETIREMENT ACCOUNTS

Retirement account distributions – additional relief provisions for “affected individuals”

- the 10% early withdrawal penalty is waived on distributions up to \$100,000 from qualified retirement accounts for coronavirus related purposes made on or after January 1, 2020
- distributions may be recontributed within three years from the date the distribution without regard to annual contribution limits
- tax is due, but the taxable income related to the distribution can be spread over three tax years
- affected individuals not subject to the 10% penalty can still take advantage of the three-year income tax deferral and payback

Loans from employer plans

- maximum loan amount increased from \$50,000 to \$100,000 (up to 100% of account balance)
- applies to loans 180 days from bill’s date of enactment
- payments on loan may be delayed for a year

UNEMPLOYMENT COMPENSATION

Unemployment compensation

- regular state unemployment benefit increased by \$600 a week for up to 4 months
- extension of regular benefits extended 13 extra weeks
- extends benefits to a group (self-employed and independent contractors) that typically don't qualify for assistance
- elimination of first week waiting period

for further information: <https://www.careeronestop.org/coronavirus.aspx>

<https://dew.sc.gov/docs/default-source/default-document-library/coronavirus-and-unemployment-benefits.pdf>

SMALL BUSINESS PROVISIONS

Paycheck Protection Program

US Treasury fact sheets : <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

Overview

- loan designed to provide direct incentive for small businesses to keep their workers on the payroll
- eligible recipients may qualify for a loan up to \$10 million determined by 8 weeks of prior average payroll plus an additional 25% of that amount
- up to the lesser of 2.5 times your average monthly payroll for the last 12 months, or \$10 million dollars
- up to \$100,000 per employee
- loan payments deferred for six months with interest accruing
- provides funds to pay up to 8 weeks of payroll costs including benefits
- funds can also be used interest on mortgages, rent, and utilities (incurred or in service before February 15, 2020)
- no collateral or personal guarantees required
- no government or lender fees
- loan has a maturity of 2 years, can be prepaid without penalties and fees
- interest rate of 1%

calculate your maximum loan amount <https://ptmoney.com/paycheck-protection-program/#calc>

SMALL BUSINESS PROVISIONS

Eligibility

- small businesses with 500 or fewer employees (including sole proprietorships, independent contractors and self-employed persons), affected by coronavirus/COVID-19. Note - some industries with more employees may qualify under certain circumstances.

How to apply

- program open until June 30, 2020, however, apply quickly due to funding cap (*banks currently taking pre-applications*)
- lenders may begin processing applications on **April 3, 2020** (small businesses can apply April 3 and self-employed April 10)
- review the sample [Paycheck Protection Program loan application](#) and gather the required documentation
- loans are obtained through current SBA approved banks and FDIC lenders

for a list of lenders, visit www.sba.gov

Documents needed to apply

- evidence of business start date (Tax ID issuance and LLC formation documents)
- payroll Records from the last 12 months.
- annual profit/loss statement

SMALL BUSINESS PROVISIONS

Loan forgiveness

- borrowers must submit request for loan forgiveness to lender
- 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
- at least 75% of the forgiven amount must have been used for payroll
- 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

Other considerations:

- consider also applying for the EDIL at SBA.gov now that they have a streamlined application and you may qualify for the forgivable \$10,000 grant (you may be able to have both the EDIL and the PPP depending on your expenses).
- if you have multiple businesses, you can apply for a separate loan for each entity since each loan will correspond with a unique federal Employer Identification Number (EIN)

small business guide and checklist: https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf

SMALL BUSINESS PROVISIONS

Employee Retention Credit for Employers Subject to Closure Due To COVID-19

- businesses and non-profits that do not receive Small Business Administration (SBA) loans eligible for forgiveness may be entitled to claim refundable credits against their quarterly payroll tax liabilities.
- eligible employers can receive a credit against payroll taxes equal to 50% of wages paid to employees not working due to the business's mandatory COVID-19 related shut down or for experiencing more than a 50% decline in gross receipts compared to the same quarter in the prior year.
- the quarterly payroll tax credit applies to the first \$10,000 in aggregate wages per employee (per year). The employee retention credit applies only to wages paid after March 12, 2020, and before January 1, 2021.

Payroll Tax Deferral

- payroll tax deferrals apply to all employers, with no requirement to show specific COVID-19 related impact
- defers the employer share of payroll taxes from the period beginning on March 27, 2020 and ending December 31, 2020.
- the deferred tax liabilities are to be paid 50% by December 31, 2021 and the other 50% by December 31, 2022.
- you cannot take advantage of this program if you take advantage of the loan forgiveness portion of the Paycheck Protection Program.

SMALL BUSINESS PROVISIONS

Net Operating Losses (NOL'S)

- allows for a five-year carryback of NOL's and eliminates the 80% of taxable income limitation for NOL's that arose during 2018, 2019 and 2020 by businesses.
- the carryforward period for NOL's remains unchanged.
- businesses will be allowed to carryback the 2018 NOL five years, to amend or modify returns back to 2013 in order to take the carryback claim.
- eliminates the excess business loss limitation rules related to pass-through entities and sole proprietors for the years 2018, 2019 and 2020

Business Interest Expense Limitations

- increases the limitation to 50% from 30% of the taxpayers adjusted taxable income for 2019 and 2020
- the 2019 taxable income amount may be used for the 2020 limitation if you elect to do so

Qualified Improvement Property Technical Fix

- it corrects a TCJI error and defines life of qualified improvement property to 15 years, retroactively, for property placed in service after 2017 allowing bonus depreciation to be taken on this special class of asset