



Tax Implications of COVID-19



Presented By:

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April 7, 2020

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- Treasury guidance: Extended due date and filing deadlines
- Families First Response Act
- CARES Act: Business Provisions
- CARES Act: Individual & Other Provisions
- Additional Resources & Webinars



Individual Tax Filing Deadline Extension until July 15, 2020

- Affected Taxpayers included filings are for individuals, trust, estate, partnership, association, company or corporation
- Federal income tax filings and payments with an original due date of 4/15 are granted automatic extension
- State are individually announcing their state's decisions to conform to federal changes
- Relief includes payments originally due on 4/15 for income tax, self-employment tax, federal estimated income tax payments
- Relief provides no interest and penalties being assessed through 7/15 on filings and payments originally due 4/15



Extension of time to File and Pay Taxes

- Relief for Federal gift tax or generation-skipping transfer tax payment due or the requirement to file Form 709 on April 15, 2020.
- FBAR filings are due April 15th, but are granted an automatic extension until October 15th, without a need to request extension.



Families First Response Act (H.R. 6201)



Families First Response Act (H.R. 6201)

- Emergency Paid Sick Leave

- Impose additional paid sick leave requirements through December 31, 2020
- Requires small employers to provide:
 - 80 hours of paid sick leave to full-time employees
 - Two weeks of paid sick leave to part-time employees, based on the average hours that the part-time employee works



Families First Response Act (H.R. 6201)

Paid leave requirement triggered if an employee is unable to work (or telework) for one of the six reasons:

Self-care Leave

1. To self-isolate or quarantine due to a federal, state, or local quarantine or isolation order related to COVID-19
2. To quarantine due to COVID-19 concerns on the advice of a health care provider
3. To obtain a medical diagnosis or care if the employee has COVID-19 symptoms

Family Leave

4. To care for someone (not limited to family) experiencing one of the first two situations listed
5. To care for the employee's son or daughter if the school or place of care has been closed, or the child care provider is unavailable, due to COVID-19 (the Secretary of Labor could exempt businesses with fewer than 50 employees from this requirement if it would jeopardize the viability of a business as a going concern)
6. The employee is experiencing another substantially similar condition to those above if specified by the Secretary of Health and Human Services in consultation with the Secretaries of Labor and the Treasury



Families First Response Act (H.R. 6201)

Self-care Leave

- would have to be paid at the employee's regular rate of pay as determined under the Fair Labor Standards Act and no less than minimum wage, capped at \$511 per day and \$5,100 in the aggregate

Family Leave

- leave in the last three categories listed (Family Care Leave) would have to be paid at two-thirds of that amount, capped at \$200 per day and \$2,000 in the aggregate



Families First Response Act (H.R. 6201)

- Effective date is April 1, 2020
- An employer may not require an employee to use existing paid leave provided by the employer before using paid leave required by the Paid Sick Leave Act
- Paying wages as required by the Paid Sick Leave Act would qualify a Small Employer for a refundable credit



Families First Response Act (H.R. 6201)

Refundable Payroll Tax Credit

- Any wages required to be paid by reason of the FMLA Expansion Act or Paid Sick Leave Act would not be subject to the employer portion of FICA.
- Additionally, the Families First Act provides a refundable credit against the employer's share of Social Security Tax or Tier 1 RRTA Tax in the amount of wages paid to employees for paid leave required by either the FMLA Expansion Act or the Paid Sick Leave Act.
- Each credit would equal 100% of qualified wages (or average daily self-employment income) for qualified leave days up to the caps described later



CARES Act Business Provisions



Employer Retention Credit for Employers

- Refundable payroll tax credit for 50% of wages by eligible employers to certain employees during the COVID-19 crisis
- Available to employers, including non-profits, whose operations have been fully or partially suspended as a result of government order or employers who experienced a greater than 50% reduction in quarterly receipts, measured on a year-over-year basis
- Credit is not available to employers receiving Small Business Interruption Loans
- For employers with average # of full-time employees in 2019 of 100 or fewer, all employee wages are eligible, regardless of whether employee is furloughed
- For employers with average # of full-time employees in 2019 of 101 or greater, only wages of employees who were furloughed or faced reduced work are eligible
- Includes health benefits and is capped at the first \$10,000 of wages paid by the employer to each employee



Employer FICA Deferral

- Employers and self-employed individuals may defer employer portion of FICA (6.2% of employee wages) that would otherwise be owed from the date CARES Act is enacted through December 31, 2020.
- Deferred taxes be paid over two-year period:
 - ½ due on December 31, 2021
 - ½ due on December 31, 2022
- Taxpayers which has had indebtedness forgiven under the provisions of the CARES Act are not eligible for the deferral
- Estimated tax payments may be reduced by the amount FICA otherwise due for the deferral period with respect to FICA portion of self-employment taxes



Temporary Repeal of Tax Income Limit for NOLS

- Prior to the CARES Act, the TCJA limited the amount of NOLs that can be used by a Taxpayer:
 - Taxpayers received an NOL deduction equal to the lesser of the
 - Aggregate NOL carryover and carrybacks to such year; or
 - 80% of the taxable income computed without regard to the NOL

- CARES Act temporarily removes the 80% of taxable income limitation
 - Reinstated for tax years beginning after December 31, 2020



NOL Carryback

- Net Operating Losses (NOLs) arising in taxable years beginning after December 31, 2017, and before January 1, 2021 (2018, 2019, and 2020 calendar-year taxpayers) may carry their NOLs back to each of the five taxable years preceding the loss
- Timely filed if filed within 120 days of CARES Act enactment date
 - Includes electing to forgo carryback, reduce period of carryback, or revoke a prior election to forgo carrybacks
- Impact on general business credits and 1-year carryback



Excess Business Losses Non-Corporate Taxpayers

- NOL relief extended to pass throughs and sole proprietors by allowing excess business losses under IRC §461 for taxable years before 2021 and will allow carryover losses in subsequent years
- The CARES Act effectively allows taxpayers to deduct their excess business losses arising in 2018, 2019, and 2020



Credit for Prior Year Minimum Tax Liability

- Taxpayers with AMT credits will be able to claim a refund for the entire amount of the credit instead of recovering the credit through refunds over a period of years



Business Interest Expense - §163(j)

- TCJA limited business interest expense for taxpayers whose average annual gross receipts exceeded \$25 million (\$26 million in 2019, as the amount was indexed for inflation)
 - TCJA limited business interest expense adjustment to 30% of Adjusted Taxable Income (ATI)
- CARES Act increases threshold from 30% of ATI to 50% of ATI for taxable years beginning in 2019 or 2020
 - Special rules apply for partnerships



Qualified Improvement Property

- Qualified Improvement Property technical correction for the TCJA included in CARES Act
- Qualified Improvement Property is 15-year property for depreciation purposes
 - Eligible for bonus depreciation
 - Taxpayers that make or have made improvements to their facilities will be able to deduct those costs immediately
- Effective for property placed in service after December 31, 2017
 - Amend or Change in Accounting Method



CARES Act Individual and Other Provisions



Charitable Giving

- Corporate taxpayers may claim charitable deduction up to 25% of taxable income in tax year 2020
 - General rule is 10% of taxable income
- All individual filings are allowed \$300 in charitable Contributions 100% deductible without Itemizing
- Individuals who itemize will be allowed charitable donations without limitations to AGI on CASH donations, previously capped at 60%



Recovery Rebates

- Advance of 2020 credit
 - \$1,200 Single / \$2,400 MFJ plus \$500 per child under 16
- Phase Out Beginning
 - \$75,000 Single / \$150,000 MFJ / \$112,500 HH
- Based on 2018 Individual Filings or 2019 if already filed and finalized with the 2020 Individual Filing.



Retirement Plan Provisions

- 10% Penalty on early withdrawals of up to \$100,000 waived for:
 - Individuals diagnosed with virus by CDC
 - Caring for spouse or dependent diagnosed with Virus
 - Individuals with financial consequences of the Virus due to furlough, lay off, reduced work hours, unable to work due to lack of childcare, closing or reduction of hours of self-employed due to Virus.
- Income of withdrawal is taxed over three-year period, and can be recontributed within the 3 years without limits
- Eligible loans increased from \$50,000 to \$100,000 if done within 180 days from enactment
- RMD's are waived for 2020



Other Changes

- Employer Paid Student loans up to \$5,250 exempt from employees' income
- Modifications and Clarifications to Paid Leave Requirements
 - Clarification on paid leave threshold as determined by FFCRA
 - Eligible employee includes employee laid off by employer on or after March 1, 2020 and rehired
 - Form 7200 was issued in draft form on Tuesday to file for advance payment of employer credits



SBA Programs (if time permits)



Select SBA Relief

- Paycheck Protection Program
- Economic Injury Disaster Loan (EIDL)



Reminder: SBA Loans Webinar Recorded

Mueller Prost's SBA Loan Webinar:

Friday, April 3, 2020

1:30 PM CDT

Mike Prost – Partner, Mueller Prost

Steve Grelle – Vice President & SBA Guru, Region Bank

Anastacia Tiedeman – Business Development, Small Business Development Center

Listen to the webinar here:

<https://muellerprost.com/tax-webinars-materials-and-recordings/>



Reminder: SBA Loan Resource

Paycheck Protection Program:

<https://muellerprost.com/ppp/>

Details on the Paycheck Protection Program (PPP)

Gregory Pfeuffer
April 06, 2020



As more clarification is continually being published, our team is working hard to keep you updated on the Paycheck Protection Program (PPP). Below is a summary of our April 3, 2020 webinar on this topic. [Click here](#) to access the replay and materials from this event.

PPP Loan Calculator – Non-seasonal & In business 2/15/19 – 6/30/19

This calculator will apply for most businesses that operated in 2019.

PPP Loan Calculator – Nonseasonal & NOT in business 2/15/19 – 6/30/19

This calculator will apply for new businesses.

PPP Loan Calculator – Seasonal business

This calculator will apply for clients that don't operate year-round.



Reminder: SBA Loan Resource

Frequently Asked Questions from Webinar:

<https://muellerprost.com/sba-loans-webinar-qa-and-faq/>

SBA Loans Webinar Q&A and FAQ

MaryPat Davitz
April 07, 2020



General Loan Q&A



Reminders & Resources



For additional information

- Call our COVID-19 Tactical Hotline @ (314) 337-6377
- Email us at info@muellerprost.com
- Visit our [COVID-19 Resource Center](#) for a multitude of content and helpful information

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COVID-19 Resource Center

We are here to support you as we navigate this uncertain financial environment and want to assist you and your organization in any way we can. Our advisory services can help ensure you're equipped to conquer business challenges, and we'll do all we can to help you thrive.

These resources have been compiled as a go-to resource center, including up-to-date information to keep you, your employees, and business informed.

Please reach out to your trusted Mueller Prost advisor or call (314) 337-6477. Our team is here to help answer any of your accounting, business or tax questions.

COVID-19 Tactical Task Hotline
Helping you navigate these uncertain times
(314) 337-6477
muellerprost.com

Call our new COVID-19 Tactical Task Hotline at (314) 337-6477 or contact us via the pop up in the lower right-hand corner

View our Preparedness Plan.
LEARN MORE →

Regulatory
Employer & Employee Resources

State Guidance on Extension of Federal Tax Deadline to July 15 Working from Home Best Practices

How can we help address your COVID-19 concerns?



Questions?



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