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CERTIFIED PUBLIC ACCOUNTANTS

April 13, 2020

As the coronavirus (COVID-19) continues to affect local communities and global economies, you may have concerns about your financial well-being. Or you may be wondering about how recently passed legislation impacts you. We're providing a high-level summary of some of the key provisions impacting individuals and recommend discussing your particular circumstances with us in more detail.

Relief available

There are several recently enacted tax changes and new or expanded benefits that might be helpful to you.

Provisions related to Both Individuals and Businesses

- The IRS extended the April 15, 2020 federal income tax filing and payment deadline to July 15, 2020.
- First quarter estimated tax payments usually due April 15, 2020 are now extended to July 15, 2020.
- Second quarter estimated tax payments usually due June 15, 2020 are now extended to July 15, 2020.
- State of California has basically conformed with the Fed extended dates stated above. You'll find information on state tax filing guidance at aicpa.org/covid19tax.

Provisions related to Individuals

Recovery rebates:

- Payments to individuals of \$1,200 (\$2,400 for joint filers) plus \$500 for each qualifying child are expected to be delivered around mid-April.
- The recovery rebate begins to phase out for taxpayers with adjusted gross income (AGI) above \$150,000 for joint filers, \$112,500 for heads of households and \$75,000 for other



individuals. If you'd like to estimate the amount you'll receive, visit the AICPA's CARES Act stimulus calculator at aicpa.org/covid19tax.

- The payment is not taxable.

Retirement accounts:

- Through the end of the year, individuals who are under 59 ½ years old can take up to \$100,000 in coronavirus-related distributions from retirement plans without the usual 10% penalty for early distributions. The distributions may be repaid within three years and any resulting income inclusion can be taken over three years.
- If you were over 70 ½ at Dec. 31, 2019 you won't have to take required minimum distributions (RMD) in 2020. If your retirement assets have taken a hit, not having to take an RMD may allow those assets to recover some value before you liquidate them.

Student loans:

- If you have a federally-held student loan, your payments will be suspended through Sept. 30, 2020 and interest won't accrue during this period. Note that this relief does not apply to private student loans.

Other benefits:

- Other benefits are available including expanded unemployment, emergency paid sick and family leave benefits ([with some limitations and exceptions](#)). Unemployment benefits are extended to self-employed and part-time workers.

Provisions related to Businesses

Employee retention and payroll tax credits

- A refundable tax credit has been created to assist employers in retaining employees. The credit is computed at 50% of qualified wages paid by eligible employers for up to \$10,000 paid to each employee between March 13, 2020 and Dec. 31, 2020.
- Subject to limitations and exceptions, employers of less than 500 employees are required to provide mandatory sick time and paid family leave but are eligible for payroll tax credits to offset the costs. Eligible self-employed individuals also qualify for the credits. Healthcare providers and emergency responders are excluded; employers with fewer than 50 employees can be exempted.



- Employers (including self-employed individuals) will be able to postpone the employer's share of Social Security taxes through the end of this year. The delayed payments are due in two equal payments, one due Dec. 31, 2021 and the second due Dec. 31, 2022.

Small Business Administration (SBA) loans

- The Economic Injury Disaster Loan can be applied from the SBA website directly. This loan repayable and bears an interest rate of 3.75%. Principal and interest payments are deferred for 6 months. This loan provides a \$10,000 advance which will not have to be repaid.
- The Paycheck Protection Program (PPP) loan is available for employers – S Corp, C Corp, LLC, sole proprietorship or independent contractor – with less than 500 employees. The loan can be applied online from the bank where the business account is held. This is a potentially forgivable loan based on 250% of average monthly payroll costs, usually using 2019 amounts. For business entities, average monthly payroll costs include wages, health and retirement benefits and state and local payroll taxes. Forgiveness is based on maintaining headcount and salary levels.
- Other SBA programs are also available. For more guidance, see [SBA's Coronavirus Small Business Guidance and Loan Resources](#).

Other business provisions

- Unfortunately, many businesses are facing losses due to the economic impacts from the pandemic. For losses arising in tax years 2018, 2019 and 2020, a five-year carryback is now allowed to help businesses recoup some of their prior taxes.
- Interest expense deduction limitations are more taxpayer favorable. Under prior legislation, net interest expense was limited to 30% of adjusted taxable income. This limitation has been increased to 50% for tax years 2019 and 2020.
- Depreciation modifications were made in connection with qualified improvement property to allow for a faster write-off of these assets. Under prior legislation, this type of property was required to be depreciated over 39 years. Under the recent legislation, this depreciation period has been reduced to 15 years, and these assets will now be eligible for bonus depreciation which will allow for an immediate deduction of the entire cost of the property.