

# COVID-19 – Tax and Business Effects of Relief Legislation

Presented by:  
Cathy Davis, CPA  
Len Sprishen, J.D., LL.M.

Moderator: Michael J. Halkias, CPA

April 1, 2020

# Disclaimer

These materials and the related presentation contain general information and are for educational purposes only. Additionally, the information in these materials is based on authorities that are subject to change.

The speakers and their firm are not, by means of these materials and the related presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

These materials are not intended or written to be used: (i) for the purpose of avoiding tax penalties; or (ii) in promoting, marketing, or recommending a partnership or other entity, investment plan, arrangement, or other transaction.

# Coronavirus Aid, Relief, and Economic Security (CARES) Act



Signed into law on March 27<sup>th</sup>



Large cash infusions to hospitals and broader access to testing.



Boost the economy with \$2 trillion in relief

- Individual rebates
- Small business loans
- Increased unemployment benefits
- Variety of tax breaks.



State Update

# TAX PROVISIONS

# Individual Stimulus Payments

Individual

\$1200, plus \$500 for each child

Married (Filing Jointly)

\$2400, if married filing jointly plus \$500 for each child

Dependents

No Check

Adjusted gross income exceeds \$75,000

Incrementally Reduced

Adjusted gross income exceeds 150,000 if married filing jointly

Incrementally Reduced

# Delay of Payment of Employer Payroll Tax and “Employer Portion” of Self-Employment Tax

- When is employers’ share of the 6.2% Social Security tax due?
- Available Credits
- Deferral not available to any business that takes out a loan under the Paycheck Protection Program (PPP)



*We have some exciting decisions to make about paying taxes.*

# Net Operating Loss and Business Loss Changes

- Losses from 2018, 2019, and 2020
- Losses carried to 2019 and 2020
- Retroactive to 2018



# Qualified Improvement Property (QIP)

What is QIP?

Changes under 2017  
Tax Cuts and Jobs  
Act, Congress

What the CARES Act  
corrects





# Other Items of Note



- Changes to Charitable Contributions
- Retirement Plans: Accessibility Options
- Suspension of Required Minimum Distributions

# Extension of Filing and Payment Deadlines

<b>April 15, 2020</b>	<b>Interest and Penalties</b>	<b>First Quarter Estimated Tax Payments</b>	<b>Second Quarter Estimates</b>	<b>State Extensions</b>
Automatically extended to July 15, 2020	Waived for this period and begin to accrue on July 16, 2020	Extended to July 15, 2020	Still due June 15, 2020	Varies

# AID TO SMALL BUSINESSES AND EMPLOYEES

# Unemployment Assistance

Additional \$600 per week  
“Federal Pandemic Unemployment  
Compensation”

Available through July 31, 2020 to all individuals receiving unemployment benefits.

Additional 13 weeks of general  
unemployment benefits  
“Pandemic Emergency Unemployment  
Compensation”

Available once state benefits are exhausted, typically after 26 weeks. Recipients must be searching for and able to work.

Up to 39 weeks  
“Pandemic Unemployment Assistance”

Retroactive from January 27, 2020 through December 31, 2020. Generally available to those not otherwise eligible for unemployment benefits.

Self-employed individuals, independent  
contractors, and “gig” workers

Should be eligible, but all must self-certify as to their inability to work on account of COVID-19.

Short-term compensation programs  
under the CARES Act

Received additional funding, which encourage employers to put workers on part-time schedule with partial unemployment benefits, instead of terminating them.

# Employee Retention Credit

## Credit against its share of the 6.2% Social Security tax.

- Eligibility:
  - operation was fully or partially suspended due to government order on account of COVID-19; or
  - the business remained open, but during any quarter in 2020, gross receipts were less than 50% of what they were for the same quarter in 2019
  - Continued to pay employees during shutdown
- Time Frame for Eligibility
- Qualified Wages
- Refunds and Restrictions

# Paycheck Protection Program (PPP)

- What is the PPP?
- PPP loans must be made during the period prior to June 30, 2020
- Who is Eligible?
  - ✓ Independently owned and operated, for profit, (and not dominant in their field)
  - ✓ Sole proprietors
  - ✓ Independent contractors
  - ✓ Other self-employed individuals
  - ✓ 501(c)(3) organizations
  - ✓ Veteran's organizations
  - ✓ Certain tribal business concerns
  - ✓ Franchises (500 employees max per location)
  - ✓ 500 or fewer employees (full and part-time)



Who's Down  
with PPP?

# PPP Limitations

- PPP loans are generally limited to the lesser of the sum of:
  - average monthly payroll costs for the 1-year period ending on the day the loan is made multiplied by 2.5,
  - and any disaster taken out after January 31, 2020 that has been refinanced into a PPP loan;
  - and \$10 million

## Payroll costs include:

- Salaries
- Wages
- Commissions
- Tips
- Vacation leave
- Family leave
- Sick leave
- Health care benefits (including premiums),
- Retirement benefits
- Severance
- Interest on mortgage obligations,
- Rent (including under a lease),
- Utilities
- Interest on other debt incurred prior to the PPP loan
- State or local taxes assessed on employee compensation.

## Payroll costs DO NOT include:

- compensation of any individual employee in excess of \$100,000
- payroll taxes
- compensation of any employee whose principal place of residence is outside the U.S.
- Any qualified sick leave or family medical leave for which a credit is allowed under the Coronavirus Relief Act



# More on PPP

- Maximum maturity of 10 years and an interest rate not to exceed 4%
- Uses of Loan
- Full-benefit of loan forgiveness
- The amount of the loan forgiven and time frame

# PPP Penalties and Forgiveness

- No penalty for rehiring laid off workers



Determining Forgiveness

Applying for Forgiveness

- Deferment

# PPP – Action Items

Assemble



Payroll tax filings, and state income, payroll, and unemployment insurance filings

Document



Mortgage obligations, leases, and utilities, including canceled checks and payment receipts

Contact



Speak with your MSPC advisor regarding possible eligibility issues and to assist with your application

# Economic Injury Disaster Loan (EIDL)

- What is EIDL?
- EIDL vs PPP
- Amounts, Rates and Repayment



U.S. Small Business  
Administration

# Contact Us



**Len Sprishen, J.D., L.L.M.**  
lsprishen@mspc-cpa.com



**Cathy Davis, CPA**  
cdavis@mspc-cpa.com



**Michael Halkias, CPA**  
mhalkias@mspc-cpa.com

**CARES@mspc-cpa.com**