

Dear Client,

The long-awaited Stimulus Bill known as The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law today by President Trump. This new law not only sends rebate checks to taxpayers but also rolls back several provisions of the Tax Cuts and Jobs Act.

Below is a summary of the law that was signed into law March 27, 2020. The law was designed to infuse immediate cash into the hands of business and individual taxpayers, here's how:

Individuals and Families

Individual Tax Credit/Rebate

All individuals who are not dependents are eligible to receive a rebate of up to \$1,200 rebate (\$2,400 for married filing joint taxpayers). In addition, taxpayers with children dependents qualify for up to a \$500 rebate per child. The payment will be based on the 2018 tax return (2019 if already filed) and includes a phase out for AGI over thresholds of \$75,000 (\$150,000 for married filing joint and \$112,500 head of household filers).

The rebate acts as an advanced tax credit and will be reconciled on the 2020 tax return.

Retirement Account Changes

Retirement distributions used for coronavirus related purposes will be taxed over a 3 year period and the amount will not be subject to early withdrawal penalties after 1/1/2020. In addition, amounts may be recontributed beyond contribution limits during that time.

In addition, required Minimum Distributions are waived for the 2020 tax year.

Enhanced Charitable Deductions

Taxpayers who take the standard deduction are eligible to deduct up to \$300 on their 2020 tax returns as special deduction. This is a permanent change.

Student Loans

Student loan payments made by employers on behalf of their employees are deductible to the business and exempt from tax to the employee up to \$5,250 for 2020.

Unemployment Insurance Provisions

Changes in the law provide payments to "Covered Individuals" who would not normally be eligible for or who have exhausted regular unemployment compensation and who are unemployed, partially unemployed, or unable to work as a direct result of the COVID-19 public health emergency. This includes self-employed taxpayers

Covered Individuals, as well as all those who have qualified for regular unemployment compensation are entitled to receive an additional \$600 payment per week, above what state unemployment compensation law already provides. The additional \$600 weekly payment is available from the date

that the applicable state enters into an agreement with the federal government until July 31, 2020 (i.e., four months maximum).

Up to 39 weeks of unemployment compensation, including any week for which the Covered Individual received regular compensation or extended benefits is available. An additional 13 weeks of pandemic emergency unemployment compensation through December 31, 2020 is available.

Business Provisions

Employee Retention Tax Credit

Up to 50% of qualified wages paid between 3/13/2020 and 12/31/2020 are eligible for a tax credit related to COVID-19. In order to qualify the business must have been fully or partially shut down due to COVID-19 or have gross income that is 50% less than the same quarter in the prior year.

Deferral of Employer Payroll Taxes

Employers and Self-Employed taxpayers can defer the employer's portion of the social security tax (6.2%) to be repaid in equal payments by 12/31/2021 and 12/31/2022.

Expanded Net Operating Loss Deduction

A net operating loss (NOL) of a corporate taxpayer between January 1, 2018 and 2021 generally can be carried back five years preceding the taxable year of such loss.

Repeal of Excess Business Loss Rules

The excess business loss limitation has been repealed for self-employed individuals and owners of pass through businesses for tax years 2018-2020.

Qualified Tenant Improvements Bonus Depreciation

One hundred percent bonus depreciation now applies to qualified improvement property. Qualified improvement property (QIP) is any improvement to the interior of a non-residential building after the building was placed in service, other than elevators, escalators, building enlargements or changes to the building's internal structural framework. It has a recovery period of 15 years for general depreciation.

AMT Credit Refunds

Under the TCJA Corporate AMT tax credits were refundable over several years with any remaining credits fully deductible in 2021. Under this provision, the corporate AMT credit is now 50% refundable in 2018 with any remaining balance fully refundable in 2019. Additionally, an election can be made applying 100% of the AMT credit to 2018 taxes allowing businesses to potentially amend 2018 tax returns to obtain refunds.

Funding Solution Provisions

Small Business Loans

Paycheck Protection Program (PPP)

For businesses with 500 or less employees and in operation on 2/15/2020 new modified loans are made available through the SBA. The amount of the loan is limited to the lesser of \$10 million or 2.5 times the borrower's average total monthly payroll costs. The application period ends June 30, 2020.

The loan proceeds may be used for payroll costs (as defined), employee benefits and commissions, interest payments on mortgages, rent, utilities, and interest on debt incurred before 2/15/2020.

No collateral is required with a maximum interest rate of 4% and a maximum term of 10 years. While interest will accrue from the day the loan is made, not interest or principal payments are required for a 6-12 month period of time. The loan may be paid off at anytime without prepayment penalties.

The PPP loan has a forgiveness provision allowing the borrower to apply for loan forgiveness in an amount equal to the payroll costs, rent, utilities, and interest paid on mortgages during the 8 weeks after the loan is made. The amount of forgiveness will not be taxable to the borrower, but the taxpayer may not use both the loan and the employee retention tax credit as described above.

Economic Injury Disaster Loan (EIDL)

The program currently allows for emergency loans of up to \$2M to assist companies affected by COVID-19. The new law waives the requirement for personal guarantees on loans under \$200K, it also waives the requirement that the borrower not be able to obtain credit elsewhere, and provide emergency grants of up to \$10K within 3 days of the borrower filing an application, though the amount of the grant would reduce any loan forgiveness under the PPP. The law also streamlines the loan application process.

If you are wondering how the new law may benefit you, please contact our office for a virtual appointment. We hope this summary will be helpful in your understanding of new aid available.