

Federal Relief Questions and Answers
Monday, March 30, 2020

Please send your questions to: Relief.Q-A@sorgecpa.com

Question:

In 2019, our daughter was a student at the beginning of the year and we provided her tuition, rent, insurance, etc. up until the end of August. Because of that, we are claiming her as our dependent for 2019 taxes. Since September, she is now on her own with a full-time job, providing 100% of her own living expenses...In the stimulus package just passed by congress and signed into law, supposedly every taxpaying adult is receiving \$1200 plus \$500 per child. I'm not sure how much you know of the details regarding that yet, but my daughter has a question I cannot answer. She is wondering if her 2019 status as a dependent means she won't be receiving the \$1200 stimulus check?

1. "For purposes of getting the \$500 per child, the bill uses the same definition for a child as you'd use for the [child tax credit](#). The sticking point for most parents for this purpose is age: the child must be under age 17 at the end of the tax year. That means you do not get \$500 for a child above the age of 16, even if they live with you *and* eat your food *and* spend your money *and* sleep in your house...And I get that it's unfair. You don't have to send me angry emails. I have a child who fits that bill. She got left out of the stimulus plan. It stinks. But if you want to be mad at someone, be mad at Congress...So if you can't claim your child, you might think that the child could simply qualify on their own for a check. Unfortunately, that's not the case for all adult children: **dependents are not eligible to receive a separate check**. They're excluded under the language in the bill.
2. <https://www.forbes.com/sites/kellyphillipserb/2020/03/27/high-schoolers--college-students-may-not-be-eligible-for-stimulus-checks/#20030b1619da>

Question:

I am a self-employed freelancer, and 99% of my customers are in Italy. My work has dropped to zero since the lockdown in Italy and I have no idea when or if it will come back. Is there any way I can request relief?

1. It appears that you are entitled to the same relief as anyone impacted by the pandemic if your business is in the United States regardless of who your customers are or where they come from.
2. "Self-employed workers, independent contractors, and freelance workers who lose their income are generally not eligible for unemployment benefits. However, the federal government has expanded unemployment benefits to cover self-employed and gig workers. The federal and state governments have expanded sick leave and unemployment benefits, and have enacted legislation to help impacted independent workers, including self-employed individuals and independent contractors. The Coronavirus Aid, Response, and Economic Security Act (CARES Act) includes the Pandemic Unemployment Assistance (PUA) program...The federal and state governments have expanded sick leave and unemployment benefits, and have enacted legislation to help impacted independent workers, including self-employed individuals and independent contractors. The Coronavirus Aid, Response, and Economic Security Act (CARES Act) includes the Pandemic Unemployment Assistance (PUA) program... Eligibility varies from state to state, so if you're not sure whether you're eligible, check with your state unemployment office to find information about who can collect unemployment compensation, and how to go about filing a claim."
3. <https://www.thebalancecareers.com/can-i-collect-unemployment-if-i-m-self-employed-2064148>

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Question:

Is there anything that we need to do in order to get the CARES Act 2020 recovery rebates?

1. The rebate should come to you automatically either as a direct deposit or a physical check based on the filing of your income tax return.

Question:

If I understand the two items below, then even though I don't itemize, I can now deduct up to \$300 for charitable contributions? · Allows an above the line deduction of up to \$300 for charitable contributions and relaxes the limitations on deductible charitable contributions for taxpayers who itemize.

1. Yes, "To incentivize charitable contributions, the CARES Act provides an above-the-line deduction for "qualified charitable contributions" up to \$300 for individuals who do not itemize deductions...The CARES Act also increases the income limitations on charitable deductions by suspending the 50% adjusted gross income (AGI) limitation for 2020...Thus, individuals may deduct qualified contributions in 2020 up to 100% of their AGI. Any excess qualified contributions are carried forward to future years in the same manner as other contribution carryovers."
2. <https://www.markspaneth.com/insights/industry/service/cares-act-individual-and-business-relief-provisions>

Question:

Based on the below, it looks like we can increase the loss carryover? Should we be filing an amendment based on this? · Temporarily repeals the taxable income limitation for net operating losses and allows a five-year carryback for losses incurred after 2017 and before 2021.

1. The determination of the best course of action will need to be done on a case by case basis. Keep in mind that if you have losses in a pass-through entity, meaning the income or loss is reported on your individual return, these losses will be offset against your income in the year of the entity losses. After this offset if your total taxable income is indeed negative you will have the option of carrying these losses back to prior years in order to offset income in those years. This may be particularly relevant for individuals in preparing the 2020 income tax return. This will be less likely for individuals on their 2019 return.

Question:

What if we don't have enough work for salaried employees to work the entire week. Can their wages be adjusted? Can I alter their pay if we cut the number of days they work?

1. Employers need to do what they need to in order to survive during this time. There are two options as we understand them:
 - a. Reduce compensation or lay off employees. Unless there is a separate contract or agreement and employer may communicate and adjust compensation whether hourly or salaried. Employees have a safety net in unemployment compensation during this time. This is likely the most straight forward for many small to medium sized business.
 - i. <https://www.fool.com/the-ascent/banks/articles/how-apply-unemployment-wisconsin/>
 - b. Borrow the money through the SBA. There is some potential for loan forgiveness on these loans. You will need to fill out an application. We highly recommend working with a bank which has experience with SBA loans.
2. Your answer here will depend also on the dynamics of your business and employee relationships.

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Question:

We are below the \$198,000 threshold. However, we filed jointly with children. Does that affect our eligibility? If we're eligible, should we expect a \$2400 check, plus \$500 per child? Is there anything we need to do to file for this?

1. Use this calculator:
2. <https://www.washingtonpost.com/graphics/business/coronavirus-stimulus-check-calculator/>

Question:

We are a two-person company. My husband's work all involved travel, and one of my suppliers is shut down, so our revenue is significantly lower. We are looking three options and need to know which would be best for us: (1) Employee Retention Payroll Tax Credit - we expect our receipts to be less than 50% for the last three quarters of 2020; (2) Paycheck Protection Loan - would this be better for us than #1 assuming the loan would be forgiven?; (3) If we would not qualify for either of the above, I need to look into unemployment for the employee.

1. I feel that option 1 may not be enough. The amount of the tax credit is equal to 50% of the first \$10,000 in qualified wages (including health benefits) paid to each employee, up to a maximum tax credit of \$5,000 per employee. For eligible employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit. Qualified wages do not include sick leave wages or family leave wages paid pursuant to the Families First Coronavirus Response Act (H.R. 6201).
2. The payroll protection loan would seem to be a reasonable option, however, this may involve more time invested in obtaining the loan. You would need to fill out an application. I strongly recommend finding a bank that does SBA loans if you plan to go this route.
3. This is similar to the question posed by another individual a couple above on this list and depends on the dynamics of your business. My feeling is that it may make the most sense for many small to medium size businesses to lay off the employees. The question is whether you can retain your employee and have them come back once business improves. As long as your employee can collect unemployment it would seem that this would be an acceptable option for all parties in many cases.
4. <https://www.manatt.com/insights/newsletters/covid-19-update/employee-retention-tax-credit-for-employers-subjec>

Question:

Is it correct that the EIDL and PPP programs are distinct programs and to apply for PPP, we must go through a bank and not the government directly?

1. Yes, you would need to go through the bank.

Question:

Given that we are an LLC and owners pay themselves directly via guaranteed payments (and not W2), would these owners wages be considered "Payroll" and go towards the amount we are able to borrow/have forgiven?

1. You would be considered self-employed. Therefore, the answer is the same as above in this list:
2. It appears that you are entitled to the same relief as anyone impacted by the pandemic if your business is in the United States regardless of who your customers are or where they come from.

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3. "Self-employed workers, independent contractors, and freelance workers who lose their income are generally not eligible for unemployment benefits. However, the federal government has expanded unemployment benefits to cover self-employed and gig workers. The federal and state governments have expanded sick leave and unemployment benefits, and have enacted legislation to help impacted independent workers, including self-employed individuals and independent contractors. The Coronavirus Aid, Response, and Economic Security Act (CARES Act) includes the Pandemic Unemployment Assistance (PUA) program...The federal and state governments have expanded sick leave and unemployment benefits, and have enacted legislation to help impacted independent workers, including self-employed individuals and independent contractors. The Coronavirus Aid, Response, and Economic Security Act (CARES Act) includes the Pandemic Unemployment Assistance (PUA) program... Eligibility varies from state to state, so if you're not sure whether you're eligible, check with your state unemployment office to find information about who can collect unemployment compensation, and how to go about filing a claim."
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