

Tax Relief and Incentives Available to Businesses During COVID-19

**OUR WEBINAR WILL
BEGIN SHORTLY**

May 12, 2020 | 1:00 – 2:00pm



Tax Relief and Incentives Available to Businesses During COVID-19

KRISTINA HUDSON

Executive Director

OneRedmond

Hosted By

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Partners



OneRedmond



City of Bothell



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**Business Response Team
Technical Assistance**

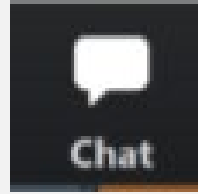
<https://re.startup425.org>

Past Financial Resources Webinars

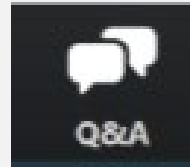
- SBA Loans & Grants Available Under the CARES Act
- Helping Companies Navigate the Paycheck Protection Program (PPP)
- Helping Independent Contractors & Gig Workers Navigate the Programs Available Under the CARES Act
- Strategies & Tips for Navigating Rent Relief During COVID-19
- Survival Strategies for Small Business Owners – webinar in Spanish

www.eastsiderecoveryhub.org

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Need help during the webinar?
Use the **Chat Box**



Questions for the Speaker?
Use the **Q&A Box**



Recording will be available
following the webinar

Disclaimer

To the best of our knowledge, this information was correct at the time of this webinar on May 12, 2020 at 1:00pm.

Given the fluid situation and with regular updates issued, be aware that some of this information may have changed.



Tax Relief and Incentives Available to Businesses During COVID-19

RENE SCHAEFER

Principal

Clark Nuber PS

New Tax Incentives Under COVID-19

May 12, 2020

Rene Schaefer, CPA, MST

Clark Nuber P.S.

Congress and IRS tax incentives to help businesses during this challenging time:

- Families First Coronavirus Response Act
- CARES Act
- Additional guidance

How will these incentives help your business?

Resources

Questions

Paid Sick and FMLA Payroll Tax Credit

- Requires employers with fewer than 500 employees to pay up to 10 workdays of qualified family leave or sick leave at full salary after an optional 10-day unpaid/paid leave period.
- Allows a payroll tax credit for wages and health insurance paid (4/1/2020-12/31/2020) to employees with COVID-19 or to care for others with COVID-19.
- The credit is 100% of qualified regular wages paid: capped at \$511/day (\$5,110 total) for paid sick leave and \$200/day (\$2,000 total) at 2/3 of regular wages to care for others, plus health insurance.

Paid Sick and FMLA Payroll Tax Credit (cont.)

- The credit is allowed against employer and employee FICA tax, Medicare tax, and federal withholding tax for qualified wages.
- Care for others includes caring for children whose schools or childcare facilities were closed because of the virus outbreak.
- Employers with fewer than 50 employees can seek an exemption.
- In addition, there's a Child Care Leave Credit (refundable) for 2/3 of regular wages capped at \$200/day (\$10,000 total) for up to 10 weeks.

Employee Retention Credit

- This is a payroll tax credit against employer's FICA tax for 50% of qualified wages and health insurance paid (3/13/2020-12/31/2020).
- The payroll tax credit maximum is \$5,000 (\$10,000 of wages) per employee.
- Any credit in excess of the employer's FICA tax is treated as an overpayment and refundable.
- The business is allowed to retain a corresponding amount of employment taxes for all employees for employer and employee FICA tax, Medicare tax and federal withholding.

Employee Retention Credit (cont.)

- Any employer is eligible for a 2020 quarter if the business:
 - had fully/partially suspended operations due to the government limiting commerce, travel, or group meetings due to COVID-19,
or
 - the business gross receipts for the quarter are less than 50% of gross receipts for the same calendar quarter in the prior year. The period ends when the gross receipts are greater than 80% of the gross receipts for the same quarter in the prior year.
- If 100 FT employees or less, all wages paid qualify. If over 100 employees, only wages paid to employees not providing services qualify.
- Recipients of the PPP loans are not eligible for this credit.
- The IRS recently announced the credit can be claimed for an employee who isn't being paid and isn't working but is still receiving employer provided health insurance.

Deferral of Employer Payroll Taxes

- Employers and self employed taxpayers (at 50%) can delay payment of the employer portion of FICA taxes for 3/27/2020 – 12/31/2020.
- 50% of the payroll taxes deferred must be paid by 12/31/2021 and 50% by 12/31/2022.
- Business are eligible for this deferral for employer taxes until the date of the decision by the lender to forgive the PPP loan.

Five-Year Carryback of Net Operating Losses

- For tax years beginning 1/1/2018 through 12/31/2020, businesses and individuals can carry net operating losses back **five (5) years**.
- This allows a refund of previous tax paid (often at higher tax rates) back to 2013/2014.
- IRS usually issues the refund within 90 days of filing the carryback claim using Form 1045 or Form 1139 (within one year of the loss year). These can now be faxed to the IRS.

Five-Year Carryback of Net Operating Losses (cont.)

- To carryback a 2018 loss, Forms 1045/1139 need to be filed by June 30, 2020 or the carryback will need to be filed on an amended tax return.
- To waive the carryback of the loss, there must be an election included with the federal tax return filed for the first tax year ending after 3/27/2020.
- There is no 80% limitation of the loss for 2018-2020. For 2021 and after, losses carried from prior to 2018 will have no limitation and losses incurred in 2018 and after will have an 80% limit.

Qualified Improvement Property Correction

- Qualified improvement property has been corrected back to 15 year property (rather than 39 year) and is eligible for 100% bonus depreciation for property placed in service after 12/31/2017.
- Qualified improvement property is defined as an improvement to the interior of non-residential property if the improvement is placed in service after the building was first placed in service.
- It does not include enlargement of the building, any elevator or escalator or the internal structural framework of the building.
- May need to amend returns or file Form 3115 to change depreciation or an election to take advantage of this correction.

Other Tax Incentives

- **Business Interest Limitation Increase**
 - For tax years beginning in 2019 and 2020, the business interest limitation is increased from 30% to 50% of taxable income plus depreciation, amortization and interest expense. For 2020, businesses can elect to using 2019 taxable income limit.
 - Only applies to 2020 for partnerships.
 - Only applies to businesses with more than \$26 million in average gross receipts.
- **Charitable Contribution Limitation Increase**
 - For 2020, the corporation limit of 10% is increased to 25% of taxable income.
 - Contributions of food inventory is increased from 15% to 25% of taxable income.
- **Corporate Minimum Tax Credit**
 - Accelerates 100% AMT credit refunds in 2019 or elect to claim them in 2018.
- **PPP Loan Forgiveness**
 - Loan forgiveness income is not taxable income.
 - Expenses associated with the forgiveness are not deductible (for now).

These resource links will be provided in the follow up email:

- [Paid Sick and FMLA Leave Payroll Credit](#)
- [Employee Retention Credit](#)
- [Five-Year Net Operating Loss Carryback](#)
- [Clark Nuber COVID-19 Information and Resources Page](#)
- [AICPA Loan Forgiveness Steps](#)

Questions?

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**THANK YOU FOR
PARTICIPATING**

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