

## TAX AND MONETARY RELIEF IN RESPONSE TO COVID-19

COVID-19 is taking the world by storm, and in Washington D.C., our legislators have been working day and night to find methods of monetary assistance and relief for families, individuals, and businesses as the country prepares for a temporary freeze in the economy. Here is a quick highlight of the tax and general business elements in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law by President Trump on March 27, 2020.

### RELIEF FOR BUSINESSES

1. **Delayed Payment of Estimated Income Taxes.** Estimated tax payments for 2020 will not be due until October 15, 2020.
2. **Delayed Payment of Employer's Portion of Social Security Payroll Taxes.** The Employer's portion of Social Security payroll taxes (6.2 percent) and self-employed Social Security taxes can be deferred over the course of two years for most businesses. Half of the payroll tax will be due December 31, 2021, and the other half will be due December 31, 2022.
3. **Employee Retention Credit.** This credit is available to companies whose business operations were fully or partially suspended as a result of a COVID-19 shutdown order (e.g., "non-essential businesses") or whose gross receipts declined by more than 50 percent compared to the prior tax year. Employers who are eligible may be able to claim a refundable payroll tax credit for 50 percent of qualified wages paid to employees during the COVID-19 crisis.
4. **Carry Back Net Operating Losses.** Net operating losses from 2018 and 2019 can be carried back five years, and the taxable income limitation on net operating losses will be temporarily removed. Also, limitations on carrying back net operating losses are also removed for pass-through businesses and sole proprietors.
5. **Alternative Minimum Tax.** C Corporations can take advantage of remaining AMT tax credits from the Tax Cuts and Jobs Act and claim those refunds now to help with cash flow.
6. **Limits on Business Interest Expense.** The limitation on interest expense that businesses are able to deduct is increased from 30 percent to 50 percent.
7. **Qualified Improvement Property.** Costs associated with improvement investments are able to be immediately written off instead of depreciating those improvements over the life of a building.
8. **SBA Loans.** Small business loans (7(a) loans) will receive many relief measures including the expanding eligible uses, waived or reduced fees and increased availability to businesses with 500 or fewer employees.

### RELIEF FOR INDIVIDUALS

1. **Delayed Filing Returns and Payment of Income Taxes.** Individuals now have until July 15, 2020 to file their 2019 tax returns. Additionally, estimated tax payments for 2020 will not be due until October 15, 2020.
2. **Recovery Rebates Checks.** Recovery checks will be available up to \$1,200 per person. These baseline amounts increase by \$500 for each child under the age of 17. Checks are reduced for taxpayers with an individual income of \$75,000 or more (joint income of \$150,000 or more). The ability to receive checks will be based on 2018 tax returns or the 2019 returns if filed. Also, rebate checks will be available for taxpayers with little or no income tax liability and at least \$2,500 of qualifying income. Minimum rebate checks for taxpayers in this category will be \$600 per person.
3. **Exclusion for Certain Employer Paid Student Loan Payments.** Employers can contribute up to \$5,250 annually toward an employee's student loans. Such payments will be excluded from the employee's income and therefore not subject to income tax.
4. **Use of Retirement Funds.** In 2020, up to \$100,000 of retirement funds can be used for coronavirus-related purposes without incurring a 10 percent early withdraw penalty. Tax on these funds would be payable over 3 years unless the money is put back into retirement funds within 3 years.

5. **Waiver of Required Minimum Distributions ("RMD").** There will be no RMD for 2020 for IRAs and certain defined contribution plans.
6. **Above-the-Line Deduction for Charitable Contributions.** Individuals may deduct up to \$300 of charitable contributions in 2020 "above the line" (whether or not deductions are itemized).
7. **No AGI Limitation for Cash Contributions to Charities.** The individual charitable contribution limitation of 60 percent of adjusted gross income is suspended for 2020 and increased to 60 percent through 2025. For businesses, the charitable contribution limitation is increased from 10 percent to 25 percent of taxable income.

We are actively monitoring the rapidly evolving developments relating the tax relief and other various financial resources available to small businesses. We will provide you with updates as they become available. Please refer to Hall Render's COVID-19 Resource Center and hotline at 317-429-3900 for any questions, as well as up-to-date information regarding the virus. If you have any questions on the issues discussed in or related to this article, please contact:

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