

# COVID -19 Tax & Business Information

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CARES ACT

# Speaker background

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Father to Eva (biggest fan of XF), Sheila G-04ECNL & John B07 ECNL & B-08A

S-H-- Johnson & Shute, P.S.

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# Submit Questions

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I will answer as many questions as possible at the end of the slides

Submit questions using the Chat feature on Zoom

or

Email questions to our Moderator:

- [Troy.letherman@crossfiresoccer.org](mailto:Troy.letherman@crossfiresoccer.org)

# Outline for Today

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## **Individuals**

- 2019 Tax filings, etc.
- Sick Leave & Extended Leave
- Expansion of Unemployment
- Recovery Rebates
- Retirement Plan Provisions
- Charitable Giving
- Student Loans

## **Businesses**

- Loans and Banking
- Payroll Taxes
- Sick Leave & Extended Leave
- Tax losses
- Depreciation

# 2019 IRS Filings, etc.

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- “Tax Season” has been extended from 4/15 to 7/15
- Most States have followed suit
- Applies to both filings AND payments
- If you are due a refund, file soon (maybe)
- IRS as suspended collection and audit efforts until 7/15 too

# Paid Sick & Family Leave

## Credit Summary

	Basic Rate	Limitation	Maximum # Days	Maximum Credit
<b>Category 1</b> – Quarantine order	Regular pay	\$511/day	10	\$5,110
<b>Category 2</b> – HC provider advises quarantine	Regular pay	\$511/day	10	\$5,110
<b>Category 3</b> – COVID-19 symptoms, seeking diagnosis	Regular pay	\$511/day	10	\$5,110
<b>Category 4</b> – Caring for category 1 or 2 individual	2/3s of regular pay	\$200/day	10	\$2,000
<b>Category 5</b> – Caring for a child w/closed school or daycare	2/3s of regular pay	\$200/day	60	\$12,000
<b>Category 6</b> – Substantially similar condition specified by HHS	2/3s of regular pay	\$200/day	10	\$2,000

CUTTING EDGE TAX STRATEGIES, LLC

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- Employees can receive either Paid Sick and/or Family Leave OR Unemployment benefits
- Work with your Employer's payroll department to make sure you are capturing this benefit

# Unemployment Benefits

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- Unemployment Benefits expanded due to COVID -19
  - Unemployment has to be due to COVID – 19 reason
    - E.g. – schools closed, business closed, diagnosed with COVID -19, etc.
    - Self-employed or independent contractors CAN receive benefits
    - For periods of unemployment starting Jan. 27 – Dec. 31, 2020
  - Total benefits equal what you would receive under state program + \$600
  - Payable up to 39 Weeks
    - Expanded by 13 weeks
- Administered by the Employment Security Department
  - <https://esd.wa.gov/newsroom/covid-19>

# Recovery Rebates

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- \$1200 per person + \$500 for each child under 17
  - Need a valid SSN
  - Based on Adjusted Gross Income from 2018 or 2019 return
    - Full rebate check if AGI is:
      - \$150k or less, MFJ;
      - \$112.5k or less HOH; and
      - \$75k or less Single
- Checks or direct deposit supposed to be sent out starting April 6<sup>th</sup>
- You will receive a notice in the mail 15 days after check mailed
- True-up will occur on 2020 tax return



# Examples

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## SINGLE TAXPAYER, NO KIDS

### TROY

Receives an advance payment of \$1000 in April 2020 based on 2019 tax return.

When preparing 2020 tax return AGI is below \$75k

Eligible for the full \$1200 credit.

Will get an additional \$200 credit on their 2020 return (\$1200 eligible – \$1000 received)

## MARRIED TAXPAYER, 2 KIDS

### JUSTI

Receives an advance payment of \$3400, based on 2018 tax return (2019 not yet filed and 2018 AGI was below \$150k)

When preparing 2020 tax return, AGI is greater than \$218k, therefore, their credit is = \$0.

They do not need to pay back the excess they received (adjustment does not go below \$0).

# Retirement Plan Provisions

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- You can take a Coronavirus - Related Distribution of up to \$100k from retirement plan or IRA in 2020
  - Coronavirus related distribution is due to:
    - You, a spouse or dependent is diagnosed with the virus; or
    - You experience adverse financial consequences because of the virus
  - The distribution is NOT subject to 10% excise tax
  - You can pay tax on it over 3 years or recontribute it back in within 3 years
- Affected Individuals can take a loan from a qualified plan of up to \$100k
- Required Minimum Distributions (generally over age 72) not required for 2020
- Work with your Employer's payroll department and/or custodian of your IRA for specifics.

# Charitable Giving

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For 2020 -

- You can deduct up to \$300 of cash contributions to 501(c)(3) charities “above the line” if you don’t itemize
- You can give more cash contributions to 501(c)(3) charities, if you do itemize.
- Other changes to for corporate charitable giving an food inventory contributions.

Contact you tax advisor for specifics.

Also, think of donating to The Crossfire Foundation

# Student Loans

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For 2020 –

- Employers can pay up to \$5,250 of an employees student loan debt (Principal and Interest) and it is not taxable to the employee.
- Lenders must stop all payments and accrual of interest on all Federally held student loans through September 30, 2020.
  - This provision does NOT effect private student loans



# Loans & Banking

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THE MOST IMPORTANT PROVISION FOR BUSINESSES!!!!!!!

You NEED to speak to your lender about programs available:

## Paycheck Protection Loans

- Loans which cover 8 weeks of operating expenses
- Can be FORGIVEN if used to keep people employed

## Economic Injury Disaster Loans

- Up to \$2M loans, amortized for up to 30 years

## Deferment of existing loans

- Many banks deferring debt payments between 90 – 180 days

Talk to your banker now regarding programs available or go to –

[www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources](http://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources)

# Payroll Taxes

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## RETENTION PAYROLL TAX CREDIT

If you don't get an SBA Interruption Loan –

- You can take up to \$10k tax credit against payroll taxes for continuing to employ your people
  - For certain wages by 3/12 – 12/31/20
- Credit is available if your business is fully or partially closed due to COVID-19 or if you have a 50% reduction in gross receipts compared to last year's quarter

Talk to your payroll provider

## DEFERRED PAYROLL TAX DEPOSITS

If you don't get an SBA Interruption Loan –

- You can delay paying over your 2020 Employer share of Social Security.
- 50% will be paid on 12/31/21 and the other 50% will be paid on 12/31/22

Talk to your payroll provider

# Paid Sick & Family Leave

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- Employers can receive tax credit for paying Paid Sick and/or Family Leave
- Work with your payroll provider to get this credit



# Tax Losses

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Otherwise deductible Business Losses incurred in 2018, 2019 or 2020 are now eligible to be “carried back” up to 5 years.

Otherwise deductible Business Losses incurred in 2018 – 2020 can offset other income 100% (80% cap removed)

Talk to your tax professional about whether you have an “NOL” from 2018 or 2019 (if the returns have been filed) which can be carried back

Or Talk to them about strategies in order to generate an NOL in 2019 or 2020 to which can be carried back

# Depreciation

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- Most improvements to the interior of commercial buildings can be expensed immediately
- Effective for improvements made after **12/31/17**

Talk to your tax advisor and ask if have placed in service any “qualified improvement property” post 12/31/17. This will be part of the strategy of generating prior losses

# Questions, Comments, Concerns

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