



SURVIVING QUARANTINE

A business owner's guide to Coronavirus related tax changes and stimulus.

Presented April 21st, 2020



March 6th

Supplemental Appropriations

Provided \$8.3 billion in emergency funding for federal agencies.

March 18th

Families First Coronavirus Response

- More Federal Funding
- Nutrition Waivers
- Unemployment Insurance
- Paid Sick and Family Medical Leave w/ Tax Credits
- Healthcare coverage



March 27th

CARES Act

\$2 trillion stimulus including:

- Individual Stimulus
- Retirement plan changes
- More unemployment insurance enhancements
- PPP loan program
- Tax changes



Impending...

Phase 4

More PPP funding is the centerpiece.

Key Topics For Business Owners

What business owners should be paying attention to.

Employment Legal
Issues

1

Sources of Funding
(EIDL & PPP)

2

Tax Changes

3

Tax Free
Employee Support

4

Key Accounting
Reports

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Stimulus & Loan
Payment Taxation

6

Recordkeeping for
SBA loans

7

Key Tax Provisions

Top business friendly tax provisions of the CARES Act

Employee Retention Credit

Payroll tax credit up to 50% of compensation paid from March 13th to Dec 31st.

Payroll Tax Deferral

Wait to pay employer share of the 6.2% Social Security tax and pay half on Dec. 31st, 2021 and balance on Dec. 31st, 2022.

Qualified Improvement Property

Most improvements to commercial buildings now qualify for 100% bonus depreciation beginning on Jan. 1st, 2018.

Carryback Operating Losses

Losses from '18, '19, & '20 can be carried back 5 years in order to get an immediate refund of prior year taxes.

Business Interest Limitation

Limit is increased from 30% to 50% for 2019 & 2020.

Excess Business Losses

Business losses may now offset 100% of income for tax years 2018 & 2019.



Not
PPP
Friendly

Employee Retention Credit

What

A refundable payroll tax credit equal to 50% of up to \$10,000 of compensation paid to an employee from March 13, 2020, to December 31, 2020.

Who

Your business must either have had its:

- Operations fully or partially suspended due to a COVID-19-related shutdown order, or
- Gross receipts decline by more than 50% when compared to the same quarter the prior year

Gotcha's

- There are limitations if your business has over 100 employees.
- Don't double dip!

Payroll Tax Deferral

What

Wait to pay employer share of the 6.2% Social Security tax and pay half on Dec. 31st, 2021 and balance on Dec. 31st, 2022.

Who

Employers AND self-employed individuals

Gotcha's

- Make sure you'll have the funds when they come due. It's not clear that there is an opportunity for pre-payment



Retroactive
to 2018

Qualified Improvement Property

QIP generally refers to improvements made to an interior portion of a building that is nonresidential real property, if such improvements are made after the date such building was first placed in service. Now, QIP has a 15-year depreciation period (instead of 39 years) and is eligible for 100% bonus depreciation.



Carryback Losses

Operating losses from the 2018, 2019, and 2020 tax years may be carried back to the previous five tax years (beginning with the earliest year first) and suspends the 80% of taxable income limitation through the 2020 tax year. The NOL carryback can result in an immediate refund of taxes paid in prior years.

Opportunity

Carryback losses to a time when maximum tax rates were higher.

Tax free employee support

Student Loan Payments

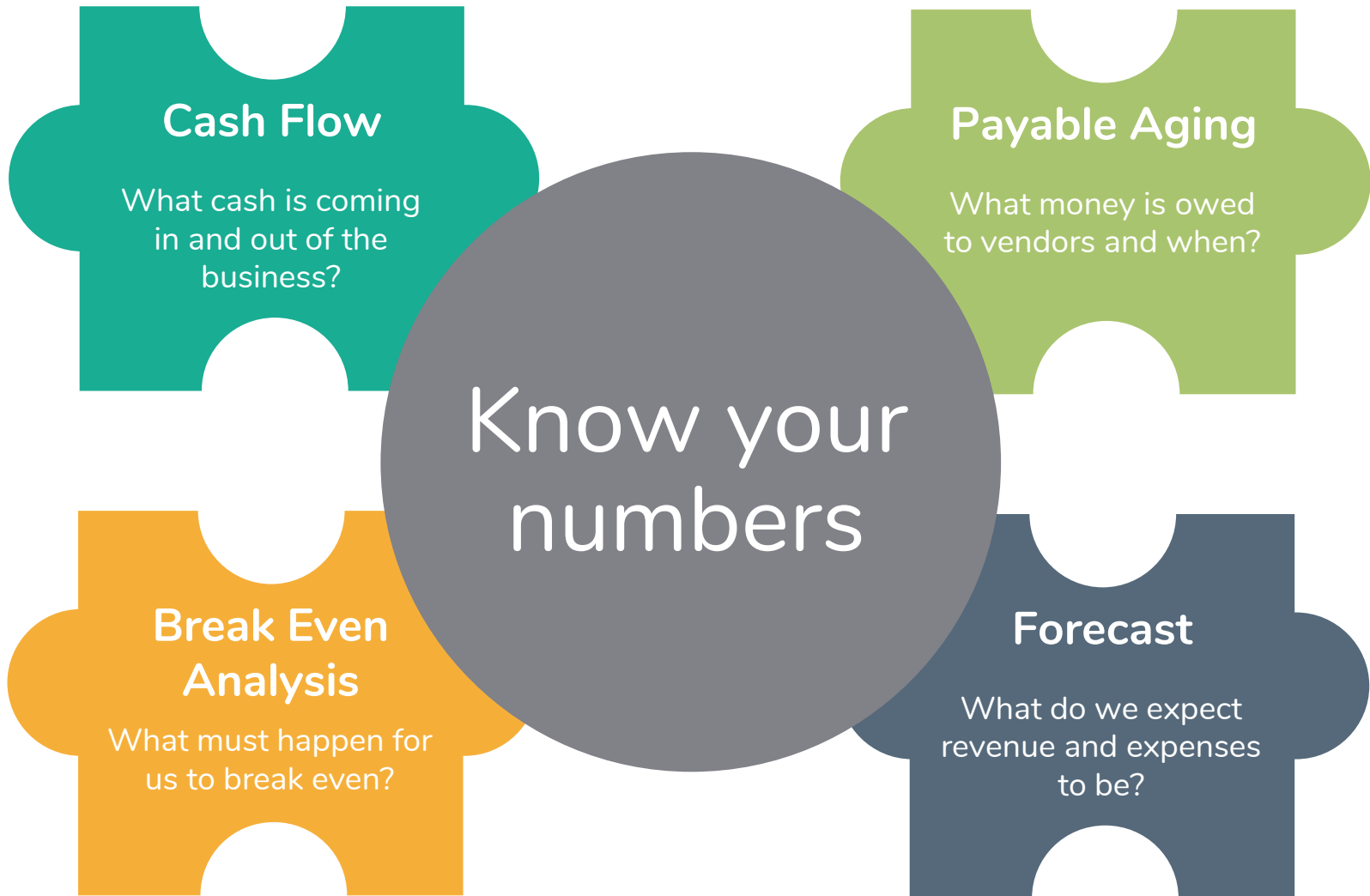
Up to **\$5,250** from income for student loan repayments may be made tax-free an employer between March 27, 2020, and December 31, 2020.

The exclusion appears to be available regardless of whether the student loan repayment has any connection to COVID-19.

Disaster Relief Payments

Employers can pay, tax-free, for expenses reasonably believed to result from the COVID-19 national emergency that are not covered by insurance. For example:

- over-the-counter medications, hand sanitizers, home disinfectant supplies,
- childcare or tutoring due to school closings,
- work-from-home expenses,
- increased costs from unreimbursed health-related expenses,
- funeral expenses



Stimulus and Loan Taxation

All this stimulus, grants, and loan forgiveness are great! Am I going to have to pay tax on them?

PPP & EIDL Loan

The loan portion of these programs is no different than funds received from any other loan and are not taxable. Be aware that repayments of principal will also not be deductible. Interest payments are always deductible.

EIDL Grant

Grants are taxable to the recipient. While uttered in the same breath, these grants are not like the PPP forgiveness money.

PPP Loan Forgiveness

Amounts forgiven under the PPP loan forgiveness program are NOT taxable. However, it's unclear if expenses paid with forgiven dollars are deductible. An old tax code section says no. Congress has the power to change that though...

Stimulus and Loan Taxation

All this stimulus, grants, and loan forgiveness are great! Am I going to have to pay tax on them?

Unpaid Payroll Liabilities

Any unpaid or refunded payroll payments will lessen expenses for wages and payroll taxes.

Individual Stimulus (Economic Incentive Payment)

Not taxable. This is based on a refundable credit for tax year 2020.

Unemployment Recipients

Income is taxable. You can elect to have money withheld for this purpose.

Unemployment Insurance - Employers

South Carolina Department of Employment and Workforce (SCDEW) have published that employers' rates will not be affected by those claiming. However, if SCDEW runs out of money and is forced to take a loan from the federal government you will see your federal unemployment go up.

Recordkeeping for SBA Loans



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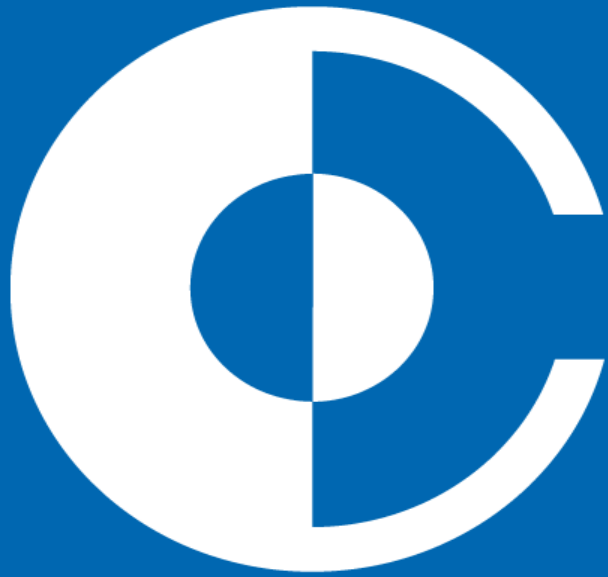
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