



COVID – 19

Tax Updates and Implications

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With you today



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Coronavirus Aid, Relief and Economic Security (CARES) Act

- This presentation will focus on the tax implication of the CARES Act and further guidance provided to date.
- Additional focused presentation on SBA Loans and CARES Act Implications on April 3, 2020 at 1:30 CT.
- Our COVID-19 Resource Center webpage has been expanded with a dedicated CARES Act page. Includes information from today's presentation and updates as further guidance is provided.



Updates from Last Week



Families First Response Act (H.R. 6201)

- Effective Date = Wages paid on or after April 1, 2020
- Health care providers and emergency responders exempt from eligible employees for qualified leave wages
- Guidance for employers with 50 or fewer employees exempt from paid leave due to childcare:
 - Business's expenses exceeding available business revenues and cause the business to cease operating at a minimal capacity
 - Employees with specialized skills, knowledge, or responsibilities being absent would entail a substantial risk to the financial health or operational capabilities of the business
 - Not enough labor or services workers who are able, willing, and qualified at the time and place needed to operate at minimal capacity



Extension of time to File and Pay Taxes

- Relief for Federal gift tax or generation-skipping transfer tax payment due or the requirement to file Form 709 on April 15, 2020.
- FBAR filings are due April 15th, but are granted an automatic extension until October 15th, without a need to request extension.



Business Provisions



Employer Retention Credit for Employers

- Refundable payroll tax credit for 50% of wages by eligible employers to certain employees during the COVID-19 crisis
- Available to employers, including non-profits, whose operations have been fully or partially suspended as a result of government order or employers who experienced a greater than 50% reduction in quarterly receipts, measured on a year-over-year basis
- Credit is not available to employers receiving Small Business Interruption Loans
- Average # of full-time employees in 2019 of 100 or fewer, all employee wages are eligible, regardless of whether employee is furloughed
- Average # of full-time employees in 2019 of 101 or greater, only wages of employees who were furloughed or faced reduced are eligible
- Includes health benefits and is capped at the first \$10,000 of wages paid by the employer



Employer FICA Deferral

- Employers and self-employed individuals may defer employer portion of FICA (6.2% of employee wages) that would otherwise be owed from the date CARES Act is enacted through December 31, 2020.
- Deferred taxes be paid over two-year period:
 - ½ due on December 31, 2021
 - ½ due on December 31, 2022
- Taxpayers which has had indebtedness forgiven under the provisions of the CARES Act are not eligible for the deferral
- Estimated tax payments may be reduced by the amount FICA otherwise due for the deferral period with respect to FICA portion of self-employment taxes



Temporary Repeal of Tax Income Limit for NOLs

- Prior to the CARES Act, the TCJA limited the amount of NOLs that can be used by a Taxpayer:
 - Taxpayers received an NOL deduction equal to the lesser of the
 - Aggregate NOL carryover and carrybacks to such year; or
 - 80% of the taxable income computed without regard to the NOL

- CARES Act temporarily removes the 80% of taxable income limitation
 - Reinstated for tax years beginning after December 31, 2020



NOL Carryback

- Net Operating Losses (NOLs) arising in taxable years beginning after December 31, 2017, and before January 1, 2021 (2018, 2019, and 2020 calendar-year taxpayers) may carry their NOLs back to each of the five taxable years preceding the loss
- Timely filed if filed within 120 days of CARES Act enactment date
 - Includes electing to forgo carryback, reduce period of carryback, or revoke a prior election to forgo carrybacks
 - 5 Year carryback to 2013 causing a reduction of income to \$0, and allow for a further carryback of General Business Credits to 2012



Excess Business Losses Non-Corporate Taxpayers

- NOL relief extended to pass throughs and sole proprietors by allowing excess business losses under IRC §461 for taxable years before 2021 and will allow carryover losses in subsequent years
- The CARES Act effectively allows taxpayers to deduct their excess business losses arising in 2018, 2019, and 2020



Credit for Prior Year Minimum Tax Liability

- Taxpayers with AMT credits will be able to claim a refund for the entire amount of the credit instead of recovering the credit through refunds over a period of years



Business Interest Expense - §163(j)

- TCJA limited business interest expense for taxpayers whose average annual gross receipts exceeded \$25 million (\$26 million in 2019, as the amount was indexed for inflation)
 - TCJA limited business interest expense adjustment to 30% of Adjusted Taxable Income (ATI)
- CARES Act increases threshold from 30% of ATI to 50% of ATI for taxable years beginning in 2019 or 2020
 - Special rules apply for partnerships



Qualified Improvement Property

- Qualified Improvement Property technical correction for the TCJA included in CARES Act
- Qualified Improvement Property is 15-year property for depreciation purposes
 - Eligible for bonus depreciation
 - Taxpayers that make or have made improvements to their facilities will be able to deduct those costs immediately
- Effective for property placed in service after December 31, 2017
 - Amend or Change in Accounting Method



Individual and Other Provisions

The logo consists of four colored squares (orange, blue, green, purple) arranged in a 2x2 grid. A white cross is overlaid on the squares, and a blue square outline is centered over the cross.

Charitable Giving

- Corporate taxpayers may claim charitable deduction up to 25% of taxable income in tax year 2020
 - General rule is 10% of taxable income
- All individual filers are allowed \$300 in charitable contributions 100% deductible without itemizing
- Individual filers who itemize will be allowed charitable contribution deductions without limitations to AGI on CASH donations (other than to DAF or private foundations), previously capped at 60%



Recovery Rebates

- Advance of 2020 credit
 - \$1,200 Single / \$2,400 MFJ plus \$500 per child under 16
- Phase Out Beginning
 - \$75,000 Single / \$150,000 MFJ / \$112,500 HH
- Based on 2018 Individual Filings or 2019 if already filed and finalized with the 2020 Individual Filing



Retirement Plan Provisions

- 10% Penalty on early withdrawals of up to \$100,000 waived for:
 - Individuals diagnosed with Virus by CDC
 - Caring for spouse or dependent diagnosed with Virus
 - Individuals with financial consequences of the Virus due to furlough, lay off, reduced work hours, unable to work due to lack of childcare, closing or reduction of hours of self-employed due to Virus
- Eligible loans increased from \$50,000 to \$100,000 if done within 180 days from enactment
- Income of withdrawal are taxed, and loans can be repaid, over three-year period, and can be recontributed within the 3 years without limits
- RMD's are waived for 2020



Other Changes

- Employer Paid Student loans up to \$5,250 exempt from employees' income
- Modifications and Clarifications to Paid Leave Requirements
 - Eligible employee includes employee laid off by employer on or after March 1, 2020 and rehired
 - Form 7200 was issued in draft form on Tuesday to file for advance payment of employer credits



Questions?



For additional information

- Call our COVID-19 Tactical Hotline @ (314) 337-6377
- Email us at info@muellerprost.com
- Visit our [COVID-19 Resource Center](#) for a multitude of content and helpful information

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COVID-19 Resource Center

We are here to support you as we navigate this uncertain financial environment and want to assist you and your organization in any way we can. Our advisory services can help ensure you're equipped to conquer business challenges, and we'll do all we can to help you thrive.

These resources have been compiled as a go-to resource center, including up-to-date information to keep you, your employees, and business informed.

Please reach out to your trusted Mueller Prost advisor or call (314) 337-6477. Our team is here to help answer any of your accounting, business or tax questions.

COVID-19 Tactical Task Hotline
Helping you navigate these uncertain times
(314) 337-6477
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Call our new COVID-19 Tactical Task Hotline at (314) 337-6477 or contact us via the pop up in the lower right-hand corner

View our Preparedness Plan.
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State Guidance on Extension of Federal Tax Deadline to July 15 Working from Home Best Practices

How can we help address your COVID-19 concerns?



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