We want to help you navigate this financial labyrinth of recently passed Acts which provide opportunities for businesses, nonprofits, and individuals.

Relief Programs Outlined In This Document:

- Paycheck Protection Program Funding is Depleted –This Lapse in Funding is Likely to be Temporary
- IRS Filing and Payments Are Further Extended
- Economic Impact Payments for Individuals
- Increased Deductions for Charitable Donations – CARES Act Relief
- Required Minimum Distributions from Retirement Plans are Waived – CARES Act Relief
- Determine if the Employee Retention Credits can be Claimed by You -CARES Act Relief
- Deferral for Some Employer Payroll Taxes Equals Cash Flow Benefits for You – CARES Act Relief

Paycheck Protection Program Funding is Depleted –This Lapse in Funding is Likely to be Temporary

The initial $350 billion allocation of funds for the Paycheck Protection Program distributed through forgivable SBA loans was depleted last week. However, a $450 billion deal was reached on Sunday, April 20, 2020, between the Whitehouse and Democrats that is expected to be voted on early this week to increase funding for the Paycheck Protection Program and additional funding for governments and hospitals.

IRS Filing and Payments Are Further Extended

The IRS expanded the filing and tax payment requirements to July 15, 2020 for returns that would otherwise be due between April 15, 2020 and July 15, 2020. Individuals and companies should note that this includes the delay of 2nd quarter estimates until July 15, 2020. This most recent notice expands previous relief.

The IRS has expanded tax payer relief in stages. The relief started on March 18, 2020 with the delay of federal income tax payments until July 15, 2020; it then expanded to the delay of the filing of certain federal tax returns and payments, and then to cover delay in filing federal gift tax and generation skipping transfer returns and payments. The latest expansion is the broadest and provides relief for filing of a broad scope of tax returns and required payments until July 15, 2020. For those returns affected, what was originally due between April 15, 2020 and July 15, 2020 is now due July 15, 2020. This generally includes filings for individuals, trusts and estates, partnerships, corporations, generation-skipping transfer taxes, and returns included in Rev. Proc. 2018-58 such as exempt organization returns in the 990 series and the annual 5500 return of an employee benefit plan. This list is not meant to be all-inclusive and returns or payments not specifically identified in the Notices and Rev. Proc. 2018-58 may not be covered. In addition, state return deadlines are determined by each state and do not always follow the federal deadlines. Please consult with us to determine the applicability to your tax filing requirements.

For calendar year nonprofit organizations, the 990 (990, 990-EZ, 990-N, 990-T, 990-PF) returns are now due on July 15, 2020, with a further extension available when needed. All tax payments and estimates for unrelated business income tax and excise tax for private foundations that would otherwise be due between April 15 and July 15, 2020, are also not due until July 15, 2020.

Economic Impact Payments for Individuals

The IRS has already sent many economic impact payments to taxpayers and continues to calculate and automatically deposit others. These payments are $1,200 for an individual or $2,400 for a joint return with an additional $500 for each qualifying child. The payment is reduced for taxpayers who's income exceeds $75,000 ($112,500 for taxpayers filing as head of household or $150,000 for taxpayers filing a joint return).

Increased Deductions for Charitable Donations – CARES Act Relief

The CARES Act allows for an above-the-line $300 charitable contributions deduction for taxpayers. You do not have to itemize to get this deduction. The donation must be cash paid to a qualified charity.

For taxpayers that do itemize, the annual giving cap is lifted. Taxpayers can use charitable donations to reduce 100% of their adjusted gross income to zero. This was previously limited to 60% of adjusted gross income.

The annual limit for corporate donations is also increased from 10% to 25% of taxable income.

Required Minimum Distributions from Retirement Plans are Waived – CARES Act Relief

The CARES Act removes the required minimum distributions from retirement plans during 2020.

Determine if the Employee Retention Credits can be Claimed by You - CARES Act Relief

Relief of payroll costs may be available to your business or nonprofit if your operations are affected by the Coronavirus. The employee retention credit is available only when you are not participating in the Payroll Protection Program forgivable loan program. The purpose of this funding is to support businesses that have a full or partial downturn in business due to the Coronavirus.

<u>How do I determine if I am eligible?</u>

If the company is receiving a loan through the Paycheck Protection Program, it is not eligible for this program.

Other businesses and nonprofits are eligible if:

- The business has been partially or completely suspended in the calendar quarter due to a government order.
  OR
- The business has gross receipts of 50% or less than it had in the corresponding calendar quarter in 2019. When revenue in a calendar quarter reaches at least 80% of the revenue in that 2019 calendar quarter, the quarter in which the rebound occurs is the final quarter to receive the credit.

How much is the credit and how to claim it?

- The credit is for 50% of qualified wages paid after March 12, 2020 and before January 1, 2021.

- The credit will be provided as a refundable payroll tax credit. Employers can reduce payroll tax deposits during the quarter for the expected credit or they may provide for the credit during the completion of the quarterly 941. The wages will first reduce the employer portion of the 6.2% social security tax to zero, and then any excess amounts are refundable.

What are Qualified Wages?

- For employers with 100 or more employees, wages are only eligible for those employees that did not provide services in the calendar quarter, but were still on payroll.

- For employers with fewer than 100 employees, wages are eligible for all employees during the period in which operations are partially or fully suspended or for all employees during the quarter where there was a reduction in gross receipts.

- Wages include amounts paid for gross payroll and the employer portion of the cost of qualified group health plan. Wages are limited to $10,000 per employee per quarter. The credit is limited to 50% of those wages, or a maximum credit of $5,000 per employee per quarter.

- Wages for paid time off provided under the Families First Coronavirus Response Act as paid sick leave and Family Medical Leave are not eligible for inclusion.

- Wages being used toward other credits such as the Work Opportunity Act Credit, Veterans Credits or Research and Development Credits are not eligible for inclusion in the qualified wages of the Employee Retention Credit. Wages for related parties are also not eligible for inclusion.

Deferral for Some Employer Payroll Taxes Equals Cash Flow Benefits for You – CARES Act Relief

Another effort to support cash flows is the opportunity to defer the employer share of OASDI (otherwise known as Social Security Tax). This deferral is available to employers participating in the Paycheck Protection Program, but for a limited time.

What is deferred, how and what is the repayment term?

- The employer portion of OASDI, known as social security tax, may be deferred for amounts due March 27, 2020 through December 31, 2020. No employee withholdings may be deferred.

- This is a deferral, similar to an interest-free loan; amounts will have to be paid in the future. Requirements for repayment are that 50% of the deferred amounts must be paid by December 31, 2021 and 50% must be paid by December 31, 2022.

- If you use a payroll provider, you will need to let them know not to pay this tax. You will ultimately be responsible for making sure the deferred amount is paid back on time and determine whether the company or the payroll provider will make the payment.

- You can participate in this program if you are applying for the Paycheck Protection Program, but you can only defer taxes until the Paycheck Protection Program loan is forgiven. The deferral of taxes must stop at the date of forgiveness. Repayment will be required to be paid 50% each by December 31, 2021 and December 31, 2022.

We want to keep you informed on these opportunities and will updpate you with any new information as it becomes available. RitzHolman CPAs is your accounting resource. Please reach out to use if you need any assistance.

April 20, 2020