



Coronavirus and Your Business - Legislative Update: What You Need to Know

Carl Glaw, CPA, CGMA

Founder and Managing Partner

www.glocpas.com

cglaw@glocpas.com

(713) 557-0561

GLO CPAs is a Biblically-based Firm

CARES Act – April 24: What’s in the Bill?

Amendments to the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), and Emergency Grants

- Expand the funding for the PPP from \$349 billion to \$659 billion.
- Increase the funding for the PPP from \$349 billion to \$670.335 billion.
- Increase the funding for the Emergency Economic Injury Disaster Grants from \$10 billion to \$20 billion.
- Allow agricultural enterprises with not more than 500 employees to receive EIDL grants and loans.
- Create a set-aside for Community Financial Institutions: minority depository institutions, certified development companies, microloan intermediaries, and state or federal credit unions.

CARES Act – April 24: What’s in the Bill?

- \$75 billion for reimbursement to hospitals and health care providers to support the need for COVID-19 related expenses and lost revenue. Language remains the same as CARES Act. This funding is in addition to the \$100 billion provided in the CARES Act.
- \$25 billion for necessary expenses to research, develop, validate, manufacture, purchase, administer, and expand capacity for COVID-19 tests. Funds are also made available to employers for testing.

CARES Act – April 24: What’s in the Bill?

- \$2 billion provided to states (Public Health Emergency Preparedness), ensuring every state receives funding
- \$1 billion provided to CDC for surveillance, epidemiology, labs, contact tracing, public health data surveillance and analytics.
- \$1.8 billion provided to NIH to develop, validate, improve and implement testing and to accelerate research, development, and implementation of point-of-care and other rapid testing.

CARES Act – April 24: What’s in the Bill?

- \$1 billion for the R&D for advanced research, development, manufacturing, production, and purchase of COVID-19 tests.
- \$22 million for the FDA to support activities diagnostic tests;
- \$825 million for Community Health and rural clinics;
- Up to \$1 billion to cover costs of testing for the uninsured.
- Requires plan from states, localities, territories and tribes on how resources will be used for testing.

CARES Act – April 24: What’s in the Bill?

Expanded of emergency disaster loans

- Appropriates an additional \$2.1 billion for the Salaries and Expenses account to remain available until September 2021.
- Appropriates an additional \$50 billion for the Disaster Loans Program Account to remain available until expended.
- Appropriates an additional \$10 billion for Emergency EIDL Grants to remain available until expended.

Tax Season Delayed Until July 15

Who Qualifies?

You must have a tax return that is due on April 15, 2020. In general, the returns due on April 15 include the following:

- An individual filing a Form 1040 series return
- A trust or estate filing Form 1041
- A partnership filing Form 1065
- A corporation filing a Form 1120 series return

SBA Economic Injury Disaster Loans

- Each disaster loan provides up to \$2 million to pay fixed debts, payroll, accounts payable, and other bills.
- The interest rate is fixed at 3.75 percent for small businesses and 2.75 percent for non-profits. Loans can be repaid over a period of up to 30 years.
- The SBA is providing advances of up to \$10,000 on loans for businesses experiencing a temporary loss of revenue.
- Funds are available within three days after applying, and the loan advance does not have to be repaid.

Families First Coronavirus Response Act (FFCRA)

- Requires you to provide paid sick leave or paid family leave to your employees, then you receive refundable payroll tax credits against your employer portion of your employment tax liability to offset the wage expense.
- You'll be able to reduce your federal tax deposits by the anticipated credit amount to get immediate cash in your pocket.
- You won't pay employer Social Security taxes on the paid leave, and you'll get an additional tax credit to offset your share of the Medicare payroll tax.
- If you pay self-employment tax, and have qualified for paid sick or family leave if you had been employed by someone required to offer paid leave, then you get a refundable tax credit against self-employment tax.

Paycheck Protection Program

- The Paycheck Protection Program (PPP) is an expansion of the existing 7(a) loan program, authorized by the recently passed Coronavirus Aid, Relief, and Economic Security Act (CARES Act).
- You are covered if your business was in operation as of February 15, 2020, and you had either (a) employees for whom you paid salaries and payroll taxes or (b) 1099-MISC independent contractors.

Paycheck Protection Program

- Small businesses that employ 500 or fewer employees, including sole proprietors, independent contractors, certain non-profits, veterans' organizations, tribal businesses, and self-employed workers, are all eligible for PPP relief.
- “Self-employed” workers are who you would think they are, the sole proprietors who file Schedule C with their Form 1040.

Paycheck Protection Program

How Much Aid Is Available?

- Small businesses can borrow 250% of their average monthly payroll expenses during the one-year period before the loan is taken, up to \$10 million.
- For example, if your monthly payroll average is \$10,000, you can borrow \$25,000 ($\$10,000 \times 250\%$). At \$1 million, you can borrow \$2.5 million.

Paycheck Protection Program

The law defines “payroll costs” as

- employee salaries, wages, commissions, or “similar compensation,” up to a per-worker ceiling of \$100,000 per year;
- cash tips or the equivalent;
- payment for vacations and parental, family, medical, or sick leave;
- allowance for dismissal or separation;
- payment for group health benefits, including insurance premiums;
- payment of any retirement benefit; or
- state or local tax assessed on employee compensation.

Paycheck Protection Program

What's specifically ***not*** included in payroll costs:

- Annual compensation over \$100,000 to any individual employee
- Compensation for employees who live outside the U.S.
- Sick leave or family leave wages for which a credit is already provided by the Families First Coronavirus Response Act

Paycheck Protection Program

How Much of the Loan Is Forgiven?

- Principal amounts used for payroll, mortgage interest, rent, and utility payments during an eight-week period (starting with the loan origination date) between February 15, 2020, and June 30, 2020, will be forgiven.
- If the full principal is forgiven, you are not liable for the interest accrued over that eight-week period—and, as an added bonus, the canceled amounts are not considered taxable income.

What If I Work by Myself with No Employees?

- **Good news.** If you file a Schedule C with your Form 1040 and have no employees, you qualify for the PPP loan and forgiveness program. Freelancers, gig workers, real estate sales professionals, carpenters, hair dressers, retailers, and others who operate one-person Schedule C businesses qualify.
- **Don't procrastinate.** When the PPP money runs out, the PPP loan program dies and indications are that it will not be revived.

What If I Work by Myself with No Employees?

- **Example.** Harriet works for herself and has no employees. She had 2019 Schedule C net income of \$130,000. The PPP caps her Schedule C income at \$100,000. On a monthly basis, that's \$8,333. Harriett can qualify for an SBA loan of 2.5 times that amount, or \$20,833.
- Under the rules, Harriet gets to keep at least 8/52 (\$15,385) of this money (not pay it back to the lender). And the best part, the money Harriet gets to keep is tax-free to Harriett.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- The CARES Act provides many tax benefits that can put cash in your pocket immediately:
- Advance payments of refundable tax credits
- Increased charitable contribution deductions
- Expanded ability to use and get refunds from Net Operating Losses
- Suspension of the rules limiting excess business loss
- Fixed Qualified Improvement Property depreciation

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

The advance tax credit (think cash) coming in the mail or electronically in the next three weeks or so is based on your 2018 or 2019 (if you filed it already) tax return. If your income qualifies for the full credit, you will receive

- \$1,200, or \$2,400 if you filed a joint return, plus
- \$500 for each dependent age 16 or younger on December 31, 2020.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Charitable Contributions

For tax year 2020 only, the CARES Act increases the limits on charitable contributions as follows:

- For individuals, there is no adjusted gross income limit for contributions normally subject to the 50% and 60% limitations. The 2020 no-limit rule does not apply to contributions to donor-advised funds.
- For corporations, the 10% limitation goes up to 25% of taxable income.
- The limitation on deductions for contributions of food inventory goes from 15% to 25%.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Net Operating Losses

- The CARES Act temporarily suspends some of the Tax Cuts and Jobs Act limitations on net operating losses:
 - For losses that arise in tax years 2018, 2019, and 2020, you can now carry them back five years to obtain refunds of taxes previously paid.
 - The CARES Act suspends operating loss limitations and allows a 100% deduction for tax years 2018, 2019, and 2020.

IRS Relief from Enforcement Actions

If you have IRS problems, the COVID-19 pandemic is creating a mercy period for you that ends July 15, 2020. During the mercy period, the IRS is suspending

- installment agreement payments,
- new levies and liens,
- new audits,
- new passport actions, and
- new referrals to private debt collectors.

GLO is Here to Help

The Federal Government has provided a series of wonderful measures to help us through this.

Unfortunately, many of these are very complicated and can impact not only your current taxes but those going back half a decade.

These measures also impact your workers and their families.

At GLO, we're here to help you through these are trying times.



GLO CPAs, LLLP
www.glocpas.com

Carl Glaw, CPA, CGMA
cglaw@glocpas.com
713.557.0561