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Balance sheet

COVID-19 Relief

By Angela Bursby, CPA

In this time of uncertainty, we hope that you and yours are staying safe amid the coronavirus (COVID-19) pandemic. The government has been busy enacting tax changes and providing for new and/or expanded benefits to provide some relief. Two of these pieces of legislation are the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Here is a summary of some of the key provisions to help you determine if any of the legislation will be beneficial to you.

Income Tax Provisions: The IRS and the State of Ohio have automatically extended the federal, state, and municipal due dates for all income tax returns from April 15, 2020 to July 15, 2020. All first quarter estimated tax payments are also extended to July 15, 2020.

Recovery Rebates: Payments will be made to individuals of \$1,200 plus \$500 for each qualifying child (under age 17) which are expected to be delivered around mid-April. The rebate begins to phase out for taxpayers with adjusted gross income (AGI) above \$150,000 for joint filers, \$112,500 for heads of households, and \$75,000 for single filers. This payment will not be taxable. Most individuals do not need to take any action to receive a rebate.



Retirement Accounts: Through December 31, 2020, individuals under age 59 ½ can take up to \$100,000 in COVID-related distributions from retirement plans without the 10% penalty applying. These distributions can be repaid within three years. If you were over age 70 ½ at December 31, 2019, you are not required to take a required minimum distribution (RMD) in 2020 to allow retirement assets to recover some value before you liquidate them.

Student Loans: For a federally-held student loan (not private student loans), payments will be suspended through September 30, 2020 and interest will also not accrue during this time.

Charitable Deduction: Individuals will be able to claim a \$300 above-the-line deduction for cash contributions made to public charities in 2020.

Expanded Unemployment: Pandemic Unemployment Assistance will cover self-employed workers, part-time workers, and those with limited work histories who are not typically eligible for state unemployment benefits. Also, an emergency increase in unemployment compensation will add an additional \$600 to every weekly unemployment benefit, effective until July 31, 2020. This benefit will be taxable.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision.
You cannot rely upon this information for avoiding tax penalties.

Emergency Paid Sick Leave and Payroll Tax Credit: Effective April 1, 2020, private employers with fewer than 500 employees are required to provide 80 hours of paid sick time to employees at their regular pay (up to a maximum \$511 per day), subject to certain COVID-related provisions.

Employers are required to provide 80 hours of paid sick time at 2/3 of regular pay (up to a maximum \$200 per day) for employees who are caring for someone subject to the COVID-19 provisions above or no longer have child care available due to COVID-19 related reasons. Also, under the expanded family and medical leave provisions, an employee who is caring for a child because school and child care facilities are unavailable may take an additional ten weeks of sick time at 2/3 of their regular pay (up to a maximum \$200/day). The employer can take a payroll tax credit for the amounts paid out for sick leave and expanded family leave against their required 941 deposits, subject to Act provisions. Employers with less than 50 employees can be exempted from the Emergency Paid Sick Leave provisions if the leave mandate puts the business in jeopardy.

Employee Retention Credit: A refundable tax credit has been created to assist employers in retaining employees. The credit is computed at 50% of qualified wages paid by eligible employers who have been fully or partially suspended or experienced more than a 50% reduction in quarterly receipts. The credit is for up to \$10,000 paid to each employee between March 13, 2020 and December 31, 2020 and is subject to limitations and exceptions. If an employer takes advantage of these credits, they are not eligible for a Payroll Protection Program loan (PPP mentioned below).

Delayed payment of employer payroll taxes: Employers will be able to postpone the employer's share of Social Security taxes through the end of this year. The delayed payments are due in two equal payments, one due December 31, 2021 and the second due December 31, 2022.

Economic Injury Disaster Loan (EIDL): Small businesses are eligible to apply online for a loan of up to \$2 million at a rate of 3.75% (2.75% for nonprofits) with a term of up to 30 years. Funds can be used for financial obligations and operating expenses that are creating a hardship for the business due to COVID-19. This loan includes a provision for a grant of up to \$10,000 where the funds should be made available within three days of a successful application, and the grant will not have to be repaid. The remaining balance of the loan does need to be repaid.

Payroll Protection Program Loan (PPP): Small businesses may apply for a Payroll Protection Program loan through a Bank that offers SBA 7(a) loans. This loan carries an interest rate of 1% and has a term of 2 years. The loan amount is calculated based on average monthly payroll and certain benefits multiplied by 2.5. It can be forgiven in its entirety if used for specified expenses (payroll, health insurance premiums, interest on mortgage obligations, rent, and utilities) for the 8 weeks following origination of the loan; however, there are limitations and exclusions that can reduce the forgivable portion. Primarily, the business must maintain full-time employee equivalents compared to a certain prior period. These loans are only available through June 30, 2020.

Please contact our office at 419-422-8111 if we can help you with tax or financial questions or assist you in navigating the expanded benefits outlined above.