CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

FAMILIES FIRST CORONAVIRUS RESPONSE ACT

—— AND ——

PRESIDENT'S EXECUTIVE ORDER

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From SBA FAQ list

4. Question: The PPP loan forgiveness application forms (3508, 3508EZ, and 3508S) display an expiration date of 10/31/2020 in the upper-right corner. Is October 31, 2020 the deadline for borrowers to apply for forgiveness?

Answer: No. Borrowers may submit a loan forgiveness application any time before the maturity date of the loan, which is either two or five years from loan origination. However, if a borrower does not apply for loan forgiveness within 10 months after the last day of the borrower's loan forgiveness covered period, loan payments are no longer deferred and the borrower must begin making payments on the loan. For example, a borrower whose covered period ends on October 30, 2020 has until August 30, 2021 to apply for forgiveness before loan repayment begins. The expiration date in the upper-right corner of the posted PPP loan forgiveness application forms is displayed for purposes of SBA's compliance with the Paperwork Reduction Act, and reflects the temporary expiration date for approved use of the forms. This date will be extended, and when approved, the same forms with the new expiration date will be posted.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

(C A R E S A C T)

(Effective March 20, 2020)

On March 27, 2020, the president signed the Coronavirus Aid, Relief, and Economic Security Act (CARES). The $2 trillion aid package provided financial aid to families and businesses impacted by the COVID-19 coronavirus pandemic.

A portion of the CARES Act provided funding for the following:

$290B in payments ($1,200/$2,400/$500) to eligible taxpayers;
$260B in expanded unemployment insurance ($600);
$510B in expanded lending for businesses and local governments;
$377B in new loans and grants for small businesses;
$150B for state and local governments; **AND**
$127B for hospitals for ventilators and other equipment.

$1.714B Total

What is the difference between Payroll Protection Program (PPP), Economic Injury Disaster Loan (EIDL), and Economic Injury Disaster Loan Advance (EIDL Advance)? The differences are:

1. A PPP is the cash infusion from a bank or SBA lender based on the taxpayer's payroll (2019 in most cases). The funds can be a forgiven loan if the money is spent on an employer's payroll (including employer taxes), interest, utilities, and transportation during a period of up to 24 weeks.

   Simplistic Example: The taxpayer received a $50K PPP loan and spent it within the 24 weeks on defined payroll with no reduction in the taxpayer's employee head count. Consequently, the taxpayer qualifies for 100% forgiveness.

2. EIDL, unlike the PPP loan, which comes from a bank or other approved SBA lender, is labeled as a "loan" directly from the SBA and carries a 3.75 percent interest rate, may require collateral, and must be repaid.

3. EIDL advance is an advance of up to $10K. If the taxpayer rejects or fails to receive an EIDL and does not a have a PPP loan, the EIDL loan advance becomes a non-taxable grant and does not have to be repaid.

   If the taxpayer has a PPP loan, the taxpayer reduces the forgiveness amount by the amount of the EIDL advance.

The CARES Act provided direct payments to eligible adults, expands unemployment insurance, extended student loan payments to September 30, 2020 (executive order extended it through December 31, 2020) and gave borrowers more time to make mortgage payments.

The Act also:

1. Expanded deductions for charitable contributions for non-itemizers (i.e., $300 per return above the line deduction);
2. Waived the 10% <u>early withdrawal</u> penalties on up to $100,000 of 401(k) or IRA distributions;
3. Extended the Real ID deadline from October 1, 2020, to September 30, 2021; **<u>AND</u>**
4. Created a $150B Coronavirus Relief Fund for state and local governments.

A. ***Stimulus Direct Payments***:

   1. The CARES Act provided a **$1,200** stimulus payment to eligible adults earning up to $75,000. Couples earning up to $150,000 received **$2,400**. Eligible taxpayers received an additional **$500 for each child under the**

age of 17. These amounts are based on 2019 AGI (or 2018 AGI if the taxpayer had not filed their 2019 tax return) when the stimulus payments were issued.

2. Payment amounts declined after $75,000 of income for singles, $112,500 for HOH, and $150,000 for couples. The recovery rebate is reduced by $5 for every $100 the taxpayer's income exceeds the $75,000, $112,500, or $150,000 threshold and completely phased out at $99,000 for singles, $146,500 for HOH, and $198,000 for MFJ.

3. The Economic Impact Payment (EIP) received by the taxpayer MUST be reconciled on their 2020 tax return. If the taxpayer's AGI exceeded the threshold amount in 2019 (or 2018) to qualify for the rebate, <u>the taxpayer can qualify for the applicable credit when filing the 2020 tax return if their income is below the threshold</u>.

<u>ATS Note</u>: Notice #1444, signed by the president, indicates the amount of EIP received in 2020. The Notice is needed to reconcile the EIP payment due to the taxpayer versus the amount received to determine if an additional amount is refundable on the client's 2020 tax return. See next page for copy of Notice #1444.

<u>Example</u>: Taxpayers, married, received $900 in EIP due to their income being partially phased-out. Their 2020 return totaled $100K in AGI and entitles the taxpayers to an additional $1,500 in EIP.

4. If a taxpayer(s) received more than the EIP-calculated amount, the excess is **NOT** required to be repaid (e.g., claiming the child in alternate years for $500).

THE WHITE HOUSE

WASHINGTON

NOTICE DATE: April 15, 2020
NOTICE NUMBER: 1444 (EN-SP)

10-B-000345522
21/0/1100

Your Economic Impact Payment Has Arrived

My Fellow American:

Our great country is experiencing an unprecedented public health and economic challenge as a result of the global coronavirus pandemic. Our top priority is your health and safety. As we wage total war on this invisible enemy, we are also working around the clock to protect hardworking Americans like you from the consequences of the economic shutdown. We are fully committed to ensuring that you and your family have the support you need to get through this time.

On March 27, 2020, Congress passed with overwhelming bipartisan support the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which I proudly signed into law. I want to thank the United States House of Representatives and the United States Senate for working so quickly with my Administration to fast-track this $2.2 trillion in much-needed economic relief to the American people.

This includes fast and direct economic assistance to you.

I am pleased to notify you that as provided by the CARES Act, you are receiving an Economic Impact Payment of $ 2,400.00 by Direct Deposit . We hope this payment provides meaningful support to you during this period.

Every citizen should take tremendous pride in the selflessness, courage and compassion of our people. America's drive, determination, innovation and sheer willpower have conquered every previous challenge---and they will conquer this one too. Just as we have before, America will triumph yet again---and rise to new heights of greatness.

We will do it together, as one nation, stronger than ever before.

President Donald J. Trump

For more information on your Economic Impact Payment, please visit IRS.gov/coronavirus or call 800-919-9835.

5. If the EIP was sent to a deceased person in 2020, the Treasury department stated the payment must be returned (i.e., $1,200/ $2,400) <u>if the payment was received **AFTER** the person's death</u>.

<u>Example</u>: Don passed away on March 20, 2020. His spouse received $2,400 in June 2020. As a result, his spouse is required to return the $1,200 to the Treasury.

If the payment was via a paper check:

a. Write "Void" in the endorsement section on the back of the check;

b. Mail the voided Treasury check immediately to the appropriate IRS location;

c. Do not staple, bend, or paper clip the check; <u>**AND**</u>

d. Include a note stating the reason for returning the check.

If the paper check was cashed <u>**OR**</u> the payment was direct deposited:

a. Submit a personal check, money order, etc., to the appropriate IRS location;

b. Make the check/money order made payable to "U.S. Treasury" and write 2020EIP and the taxpayer ID of the recipient of the original payment; <u>**AND**</u>

c. Include an explanation of the reason for returning the EIP. The address for OH, IN, WV, and MI is:

   Kansas City Refund Inquiry Unit
   333 W. Pershing Rd., Mail Stop 6800, N-2
   Kansas City, MO. 64108

   For other states' mailing address, visit: https://www.irs.gov/newsroom/economic-impact-payment-information-center-topic-i-returning-the-economic-impact-payment.

B. ***Enhanced Unemployment Insurance*:**

1. Individuals who received state unemployment benefits also received an additional $600 a week through their states' unemployment insurance program from March 29 through July 27 **AND**

2. Unemployment insurance benefits of $250B were provided to the self-employed and independent contractors, who typically do not qualify for assistance, but could not work due to the coronavirus to receive benefits. It includes those who were laid off, became ill, or had to care for someone else with COVID-19.

C. ***Retirement Fund Distributions*:**

The bill waived the 10% early withdrawal penalty for retirement fund distributions up to $100,000 for coronavirus-related purposes, retroactive to January, 1, 2020. However, withdrawals are taxable, but the tax liability can be spread over three (3) years (2020-2022), **OR** the taxpayer can choose to repay the full retirement amount back into the fund by filing amended returns reporting the 1/3 amount, if applicable, within the three-year period by using Form 8915-E. (See form in the side pocket of the seminar book.)

D. ***Loan Limit on 401(k) Increased*:**

The 401(k) loan limit increased from $50,000 to $100,000 or 100% of the vested account balance, whichever is less.

Form **8915-E**

Department of the Treasury
Internal Revenue Service

Qualified 2020 Disaster Retirement Plan Distributions and Repayments

(Use for Coronavirus-Related Distributions)

▶ Go to *www.irs.gov/Form8915E* for instructions and the latest information.

▶ Attach to 2020 Form 1040, 1040-SR, or 1040-NR.

OMB No. 1545-0074

2020

Attachment Sequence No. **915**

Name. If married, file a separate form for each spouse required to file 2020 Form 8915-E. See instructions.			**Your social security number**
Fill in Your Address Only if You Are Filing This Form by Itself and Not With Your Tax Return ▶	Home address (number and street, or P.O. box if mail is not delivered to your home)		Apt. no.
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).		If this is an amended return, check here ▶ ☐
	Foreign country name	Foreign province/state/county	Foreign postal code

Before you begin:

- Complete 2020 Form 8915-**D**, Qualified 2019 Disaster Retirement Plan Distributions and Repayments, and 2020 Form 8915-**C**, Qualified 2018 Disaster Retirement Plan Distributions and Repayments, if applicable.
- If you completed Part I of 2020 Form 8915-**D**, or of 2020 Form 8915-**C**, see the Caution in *Column (a)* in the instructions to figure the amounts for column (a).

Part I Total Distributions From All Retirement Plans (Including IRAs)

CAUTION *Form 8915-E only covers 2020 coronavirus-related distributions. The distribution must be made before December 31, 2020. See instructions.*

Complete lines 1 through 4 of one column before going to the next column.

	(a) Total distributions in 2020 (see instructions)	**(b) Qualified 2020 disaster distributions made in 2020** (see instructions)	**(c) Allocation of column (b)** (see instructions)
1 Distributions from retirement plans (other than IRAs)			
2 Distributions from traditional, SEP, and SIMPLE IRAs			
3 Distributions from Roth IRAs			
4 Totals. Add lines 1 through 3 in columns (a) and (b). Complete column (c) if line 4, column (b), is more than $100,000. Otherwise, leave column (c) blank			*100,000*

5 If you completed column (c), enter the excess of the amount on line 4, column (a), over $100,000. Otherwise, enter the excess of the amount on line 4, column (a), over the amount on line 4, column (b). Report these distributions under the normal rules in accordance with the instructions for your tax return	5	

Part II Qualified 2020 Disaster Distributions From Retirement Plans (Other Than IRAs)

6 If you completed line 1, column (c), enter that amount. Otherwise, enter the amount from line 1, column (b)	6	
7 Enter the applicable cost of distributions, if any. See instructions	7	
8 Subtract line 7 from line 6	8	
9 If you elect NOT to spread the taxable amount over 3 years, check this box ▶ ☐ and enter the amount from line 8 (see instructions). You must check this box if you check the box on line 17. Otherwise, divide line 8 by 3.0	9	
10 Enter the total amount of any repayments you made before filing your 2020 tax return. But don't include repayments made later than the due date (including extensions) for that return. Do not use this form to report repayments of qualified 2016, 2017, 2018, or 2019 disaster distributions. See instructions	10	
11 **Amount subject to tax in 2020.** Subtract line 10 from line 9. If zero or less, enter -0-. Include this amount in the total on 2020 Form 1040, 1040-SR, or 1040-NR, line 5b	11	

(O V E R)

Before you begin: Complete 2020 Form 8606, Nondeductible IRAs, if required.

Part III Qualified 2020 Disaster Distributions From Traditional, SEP, SIMPLE, and Roth IRAs

12 Did you receive a qualified 2020 disaster distribution from a traditional, SEP, SIMPLE, or Roth IRA that is required to be reported on 2020 Form 8606?

☐ **Yes.** Go to line 13. ☐ **No.** Skip lines 13 and 14, and go to line 15.

13 Enter the amount, if any, from 2020 Form 8606, line 15b, to the extent not reported on 2020 Form 8915-**D**, line 22; or 2020 Form 8915-**C**, line 23 13

14 Enter the amount, if any, from 2020 Form 8606, line 25b, to the extent not reported on 2020 Form 8915-**D**, line 23; or 2020 Form 8915-**C**, line 24 14

15 If you completed line 2, column (c), enter that amount. Otherwise, enter the amount from line 2, column (b), if any. Don't include on line 15 any amounts reported on 2020 Form 8606 15

16 Add lines 13, 14, and 15 16

17 If you elect NOT to spread the taxable amount over 3 years, check this box ▶ ☐ and enter the amount from line 16 (see instructions). You must check this box if you checked the box on line 9. Otherwise, divide line 16 by 3.0 17

18 Enter the total amount of any repayments you made before filing your 2020 tax return. But don't include any repayments made later than the due date (including extensions) for that return. Do not use this form to report repayments of qualified 2016, 2017, 2018, or 2019 disaster distributions. See instructions 18

19 **Amount subject to tax in 2020.** Subtract line 18 from line 17. If zero or less, enter -0-. Include this amount in the total on 2020 Form 1040, 1040-SR, or 1040-NR, line 4b 19

Part IV Qualified Distributions for the Purchase or Construction of a Main Home in Certain 2020 Disaster Areas

Reserved for future use. Leave Part IV blank. See instructions.

20 This line is reserved for future use. If needed in the future, this line would be used for qualified distributions both received from IRAs and required to be reported on 2020 Form 8606.

☐ **Yes.** Reserved for future use.

☐ **No.** Reserved for future use.

21 This line is reserved for future use. If needed in the future, this line would be used for qualified distributions received in 2020 for the purchase or construction of a main home. 21

22 This line is reserved for future use. If needed in the future, this line would be used for the applicable cost of distributions 22

23 This line is reserved for future use. If needed in the future, this line would be used to subtract line 22 from line 21 23

24 This line is reserved for future use. If needed in the future, this line would be used for the total amount of repayments made 24

25 This line is reserved for future use. If needed in the future, this line would be used for the **Taxable amount** and will provide the Form 1040, 1040-SR, or 1040-NR line on which that amount should be placed 25

Sign Here Only if You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature ▶ Date

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

E. ***Required Minimum Distributions for 2020 Waived***

The IRS stated seniors and retirees are not required to take withdrawals from their IRAs and workplace retirement plans in 2020, including beneficiaries with inherited accounts.

The waiver includes RMDs for individuals who turned age 70½ in 2019 and took their first RMD in 2020. Also, a taxpayer who turns age 72 in 2020 is not required to take their first RMD by April 1, 2021, but must take their 2021 RMD by December 31, 2021. Roth IRAs do not require withdrawals until after the death of the owner.

If an individual withdrew their RMD in 2020, they had the option of returning the distribution to their retirement plans, including traditional IRAs, SEP IRAs, SIMPLE IRAs, 401(k) plans, 403(b) plans, 457(b) plans, profit sharing plans and other defined contribution plans by August 31, 2020, to avoid paying taxes on that distribution. This provision does not affect the 60-day rollover rule for distributions not returned by August 31, 2020. The RMD suspension does not apply to **qualified defined benefit retirement plans**. Notice 2020-51, states the one rollover per 12-month period limitation and the restriction on rollovers to inherited IRAs **does not apply to this repayment.**

F. ***Student Loan Payments Deferred/Extended:***

Student loan payments interest accruals for certain federal loan programs were suspended through September 30, 2020, but extended to December 31, 2020, under the president's order.

G. ***Charity Deduction Above-The-Line***:

A new provision provided a $300 above-the-line deduction for charitable contributions, plus, increased the AGI charitable contributions for **2020 only** from 60% to 100%. Prior carryover charitable contributions remain at 60%, however.

H. ***Coronavirus Testing***:

All testing and potential vaccines for COVID-19 are covered at **no cost** to patients.

I. ***Payroll Deferral Provision***:

1. For 2020, the CARES Act allows employers to defer their share of the 6.2% Social Security Tax to half (50%) of the payment due December 31, 2021, and the other half (50%) due December 31, 2022.

2. Previously, if the employer had a PPP loan, once the lender forgives the loan the deferral is no longer applicable, but the amount already deferred will continue to be deferred (i.e., 2021 and 2022). The PPP *Flexibility Act*, enacted on June 5, 2020, strikes the rule preventing the deferral after the loan was forgiven. Therefore, an employer with a PPP loan is entitled to defer the payment **EVEN IF** the loan is forgiven.

J. ***Small Business Relief***:

Small business relief totaling $350B was provided to prevent layoffs and business closures while workers had to stay home during the pandemic. Companies with 500 employees or fewer that maintained their payroll during the pandemic can receive up to 8 weeks (increased to 24 weeks on June 5, 2020) of cash-flow assistance. <u>If an employer maintains its payroll for the required period, all (or a portion) of the PPP loan is forgiven if used for</u>:

1. payroll costs (including wages, employer's share of payroll taxes, employee benefits, health insurance premiums, retirement benefits, and state and local taxes assessed on compensation);
2. interest on mortgage obligations (mortgages signed prior to February 15, 2020);
3. rent (for leases dated before February 15, 2020);
4. utilities (electric, gas, water, transportation, phone and internet for agreements dated before February 15, 2020; <u>**OR**</u>
5. additional wages paid to tipped employees.

<u>Example #1</u>: ABC company received $50,000 in PPP loan to maintain its employees. They had $30K in wages and employer payroll taxes, $10K in interest, $5K in utility cost and $20K in rent. Since ABC's expenses exceeded the loan, it is forgiven. However, $50K in expenses are not deductible.

For <u>sole proprietors with no employees</u>, the loan amount is figured as follows:

Start with the next profit of the 2019 Schedule C. If the profit exceeds $100,000, then reduce it to $100,000. Divide the amount by 12 and multiply the figure by 2.5.

<u>Example #2</u>: Independent contractors, sole proprietors, and self-employeds who report up to $85K in net profit on Schedule C are eligible for a PPP loan of up to $17,708 (($85K / 12) x 2.5). Businesses with a Schedule C profit of at least $100K are eligible for a PPP loan up to $20,833.

<u>ATS Note #1</u>: The $20,833 cap on owner-employee compensation applies to "cash compensation" only. <u>For SBA purposes</u>, there is not an overall "compensation limit." Under SBA's new guidance, the <u>owner-employee</u> cannot add <u>retirement benefits</u> on top of the cash compensation, to create a new higher cap.

<u>Example #3</u>: Ron is a hairdresser and received a $16,667 (($80K / 12) x 2.5) loan. His Schedule C profit for 2019 was $80K. Ron can use his net profit Schedule C to offset the loan and ignore his rent, utilities, mortgage interest, and payroll cost. <u>Ron should not use any of his expenses to offset the loan as he has enough "owner compensation" deemed wages. As a result, his expenses are totally deductible</u>.

<u>Example #4</u>: Taxpayer's Schedule C profit aka: owner's compensation (deemed wages), with no employees, is $15,385. The PPP loan is $15,385. The maximum loan forgiveness amount is $15,385.

<u>Example #5</u>: Assume the taxpayer received a $20,833 PPP loan, and incurred $15,385 in payroll and paid $4,000 in interest and utilities. The forgiveness amount is $19,385 ($15,385 + $4,000). The $1,448 ($20,833 - $19,385) unforgiven amount is subject to a one percent (1%) interest loan for two (2) years from the date of the loan, **<u>OR</u>** the taxpayer can pay the loan off at any time with no pre-payment penalty.

<u>ATS Note #2</u>: For tax purposes, forgiven loan amounts are excluded from gross income and associated expenses are not deductible. <u>*Small Business Expense Protection Act*, introduced April 30, 2020, would allow the deductibility of expenses</u>.

<u>ATS Note #3</u>: In Notice 2020-32, the IRS advised lenders they are not to file Form 1099-C informational returns or furnish payee statements to report the loan forgiveness.

K. ***Excess Loss limitation*:**

The excess loss limitation (ELL) rules for pass-through entities are suspended.

L. ***Net Operating Loss*:**

The Net Operating Loss rules modified the deductible loss from the Tax Cuts and Jobs Act (TCJA) from 80% to 100%. The loss carryback also changed from two (2) years to a five (5) year carryback for NOLs beginning 2018-2020. Carryforward NOLs after 2020 are offset at 100% of taxable income.

The fax number for Form 1045, *Application for Tentative Refund* for individuals, estates, and trusts is 844-249-6237 and Form 1139, *Corporation Application for Tentative Refund* is 844-249-6236. They are only valid to December 31, 2020.

M. ***Interest Expense Limitations*:**

The interest expense limitations were increased from 30% to 50% for tax years beginning in 2019 or 2020. Taxpayers can also elect to calculate the interest limitation for 2020 using their 2019 adjusted taxable income as the relevant base, which often will be significantly higher.

N. ***Agriculture Payments*:**

The CARES Act increases the amount the Agriculture Department can spend on its bailout program from $30B to $50B.

O. ***Economic Injury Disaster Loan (EIDL) Chart by State Provided***

September 14, 2020

SBA Disaster Assistance Update
Nationwide EIDL Loans / COVID-19

Loans Approved	3,589,667	Dollars Approved	$190,365,492,858

STATE	APPROVED	DOLLARS	STATE	APPROVED	DOLLARS
Alabama	44,084	$ 1,971,965,130	Kansas	18,377	$ 1,055,382,949
Alaska	7,461	$ 443,771,900	Kentucky	24,164	$ 1,250,031,800
Arkansas	20,960	$ 1,008,284,519	Louisiana	65,479	$ 3,124,394,514
Arizona	60,111	$ 3,169,718,569	Maine	10,281	$ 586,698,700
California	546,783	$ 33,915,379,336	Maryland	64,386	$ 3,333,866,395
Colorado	55,540	$ 3,130,776,212	Massachusetts	59,591	$ 3,464,528,154
Connecticut	34,462	$ 2,065,249,200	Michigan	84,097	$ 4,405,181,434
Delaware	9,463	$ 499,323,700	Minnesota	40,263	$ 2,256,135,689
Florida	449,915	$ 19,826,479,670	Mississippi	30,302	$ 1,261,141,711
Georgia	176,658	$ 7,632,638,299	Missouri	41,037	$ 2,058,321,675
Hawaii	18,223	$ 988,979,099	Montana	9,815	$ 531,428,600
Idaho	12,010	$ 668,690,800	Nebraska	14,049	$ 821,437,244
Illinois	139,746	$ 6,879,462,222	Nevada	38,934	$ 2,107,421,650
Indiana	38,899	$ 1,956,167,905	New Hampshire	11,110	$ 658,169,749
Iowa	16,799	$ 1,009,434,150	New Jersey	119,268	$ 6,996,726,687

Loans Approved	3,589,667	Dollars Approved	$190,365,492,858

STATE	APPROVED	DOLLARS	STATE	APPROVED	DOLLARS
New Mexico	14,288	$ 777,445,323	Utah	21,920	$ 1,363,054,358
New York	298,089	$ 17,182,670,575	Vermont	6,238	$ 341,984,310
North Carolina	89,575	$ 4,222,799,361	Virginia	71,437	$ 3,857,785,266
North Dakota	5,961	$ 375,828,000	Washington	64,300	$ 3,831,942,193
Ohio	81,417	$ 4,041,728,295	West Virginia	7,739	$ 412,180,800
Oklahoma	31,627	$ 1,703,385,141	Wisconsin	36,955	$ 1,887,456,156
Oregon	37,551	$ 2,073,123,590	Wyoming	5,191	$ 310,796,400
Pennsylvania	95,860	$ 5,038,826,044	American Samoa	157	$ 10,379,800
Rhode Island	10,479	$ 554,755,000	District of Columbia	9,636	$ 587,888,939
South Carolina	46,576	$ 2,138,335,050	Guam	1,309	$ 77,025,000
South Dakota	7,513	$ 455,193,393	N. Mariana Islands	263	$ 16,618,100
Tennessee	52,803	$ 2,482,784,718	Puerto Rico	22,945	$ 1,222,247,600
Texas	305,610	$ 16,231,190,684	U.S. Virgin Islands	1,691	$ 90,881,100

Figures as of 9/13/20

P. ***SBA Economic Injury Disaster Loan Advance Chart by State Noted***

July 15, 2020

SBA Disaster Assistance Update
EIDL Advance / COVID-19

Advances Disbursed	5,781,390	Total Dollars	$ 20,000,000,000

STATE	APPROVED	DOLLARS	STATE	APPROVED	DOLLARS
Alabama	72,302	$ 262,585,000	Kansas	31,799	$ 99,753,000
Alaska	10,389	$ 32,751,000	Kentucky	43,109	$ 140,977,000
Arkansas	35,531	$ 125,169,000	Louisiana	105,600	$ 386,521,000
Arizona	93,559	$ 328,826,000	Maine	17,084	$ 53,195,000
California	809,792	$ 2,666,662,000	Maryland	95,733	$ 328,907,000
Colorado	87,334	$ 267,687,000	Massachusetts	96,643	$ 311,537,000
Connecticut	52,259	$ 166,382,000	Michigan	126,939	$ 484,201,000
Delaware	14,491	$ 50,684,000	Minnesota	72,623	$ 251,712,000
Florida	706,377	$ 2,053,275,000	Mississippi	49,239	$ 187,642,000
Georgia	287,584	$ 1,112,710,000	Missouri	72,448	$ 251,851,000
Hawaii	28,476	$ 83,176,000	Montana	17,234	$ 51,221,000
Idaho	19,893	$ 60,992,000	Nebraska	26,793	$ 79,231,000
Illinois	314,582	$ 1,639,825,000	Nevada	62,116	$ 216,039,000
Indiana	73,852	$ 309,240,000	New Hampshire	17,534	$ 58,871,000
Iowa	30,040	$ 97,215,000	New Jersey	180,450	$ 578,757,000

Advances Disbursed	5,781,390	Total Dollars	$ 20,000,000,000

STATE	APPROVED	DOLLARS	STATE	APPROVED	DOLLARS
New Mexico	21,625	$ 71,000,000	Utah	34,150	$ 112,587,000
New York	453,924	$ 1,335,770,000	Vermont	11,425	$ 35,587,000
North Carolina	140,568	$ 469,836,000	Virginia	114,577	$ 381,574,000
North Dakota	10,702	$ 33,214,000	Washington	96,247	$ 308,540,000
Ohio	129,501	$ 479,911,000	West Virginia	12,552	$ 41,445,000
Oklahoma	52,002	$ 161,227,000	Wisconsin	67,062	$ 252,610,000
Oregon	57,712	$ 183,403,000	Wyoming	9,060	$ 27,899,000
Pennsylvania	164,514	$ 575,458,000	American Samoa	204	$ 1,175,000
Rhode Island	16,262	$ 50,062,000	District of Columbia	14,524	$ 57,341,000
South Carolina	73,846	$ 253,206,000	Guam	1529	$ 6,308,000
South Dakota	14,061	$ 40,952,000	N. Mariana Islands	274	$ 1,337,000
Tennessee	93,272	$ 356,592,000	Puerto Rico	19,679	$ 69,844,000
Texas	518,484	$ 1,949,021,000	U.S. Virgin Islands	1,829	$ 6,507,000

Figures as of 7/14/20

Q. *Life Years on Real Property Improvements Changed*

When the 2017 Tax Cuts and Jobs Act was passed, a "glitch" in the depreciable life years for qualified improvement property (QIP) existed. The CARES Act made the correction from 39 years to 15 years for property placed in service after December 31, 2017.

The property remains eligible for bonus depreciation and Sec. 179 regardless of the life years used in 2018 or 2019.

IRS issued Rev. Proc. 2020-25 to provide guidance for taxpayers to **AMEND** their 2018 and/or 2019 tax returns. If the taxpayer used 39-year MACRS class life for QIP, the taxpayer **MUST** perform one of the following:

1. Amend the return(s) no later than October 15, 2021, to "correct" the MACRS class life to 15 years, **OR**

2. File Form 3115 with a timely filed return to "correct" the prior depreciation and apply the new 15-year MACRS life year to;

   a. the taxpayer's first or second taxable year succeeding the year in which the taxpayer placed the qualified improvement property in service, **OR**

   b. any return that is filed on or after April 17, 2020, and on or before October 15, 2021.

The amount of allowed or allowable depreciation taken into account when the property is sold or otherwise disposed of is the total depreciation that would have been allowable if the taxpayer had depreciated the property using the MACRS 15-year class life and method, in additional to bonus depreciation, if applicable.

Bonus depreciation applies to assets with MACRS class lives of 20 years or shorter. Since QIP is retroactive and now a 15-year class life, it is subject to bonus depreciation. To elect out of bonus depreciation, the taxpayer must make an election on a timely filed return.

# # # #

FAMILIES FIRST CORONAVIRUS RESPONSE ACT

aka: Families First Act

(Enacted March 18, 2020)

The Families First Coronavirus Response Act (FFCRA) aka: Families First Act requiring most employers, with fewer than 500 employees, to pay their employees for sick leave **OR** expanded family and medical leave related to COVID-19. These provisions are effective April 1, 2020 through December 31, 2020.

To provide instructions, the IRS issued *Notice 2020-54*, dated July 8, 2020, to employers on reporting the amount of qualified sick leave wages and qualified family leave wages paid to employees under the Families First Act (Act).

The Act requires most employers with fewer than 500 employees to provide paid leave to those unable to work due to the following:

1. is subject to a Federal, State or local quarantine or isolation order related to COVID-19;
2. has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. is experiencing symptoms of COVID-19 and seeking a medical diagnosis;
4. is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
5. is caring for employee's son or daughter if the school or place of care of the son or daughter has been closed, or the child care provider of such son or daughter is unavailable, due to COVID-19 precautions; **OR**
6. is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretaries of the Treasury and Labor.

Employer Tax Credit.

The Act provides that employers are eligible for a tax credit equal to the full cost of the emergency sick leave and family leave payments made to employees. The credit first offsets the Social Security tax component of the employer's federal payroll tax bill. Any excess credit is refundable. The new credit is not available to employers already receiving the family leave credit created under the Tax Cuts and Jobs Act of 2017.

Furthermore, sick leave and family leave payments are exempt from the employer's component of Social Security tax that applies to wages. Although employers must pay the Medicare tax, a credit can be claimed for the Medicare tax.

Self-Employed Individuals.

The Act also addresses self-employed taxpayers claiming a refundable credit against their income tax liability, including the self-employment tax owed. If the credit exceeds the taxpayer's bill, the excess is refundable.

The credit equals 100% of the sick leave equivalent plus 2/3rds of the family leave equivalent for taking care of the family member or child out of school due to the pandemic.

Employer Reporting Requirements.

To provide self-employed individuals who also receive wages or compensation as employees with the information they need to properly claim any qualified sick leave equivalent or qualified family leave equivalent credits, the Notice requires employers to report to all employees the amount of qualified sick leave wages and qualified family leave wages paid either on Form W-2 Box 14 or a separate statement.

Providing Employee Instructions.

Under the instructions for Form W-2, Box 14 or in a separate statement sent to the employee, the employer may provide additional information about qualified sick leave wages and qualified family leave wages and explain that these wages may limit the amount of qualified sick leave equivalent **OR** qualified family leave equivalent credits to which the employee may be entitled regarding any self-employment income. The Notice provides model language for this additional information.

Form 7202 Required to be Filed by the Self-Employed Person.

Self-employed individuals can also claim qualified sick leave equivalent **OR** qualified family leave equivalent credits on **Form 7202**, *Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals*, attached to their income tax return. Their credits must be reduced (but not below zero) by any qualified sick leave **OR** qualified family leave equivalent wage credits paid by any outside employer.

Employers have an option to request an "advance payment" of their credits by completing Form 7200, *Advance Payment of Employer Credit Due to COVID-19*. See instructions for further details.

ATS Note: If the employee is paid sick leave or expanded family and medical leave, he/she is not entitled to unemployment insurance benefits.

# # # #

THE PRESIDENT'S EXECUTIVE ORDER

(Signed August 8, 2020)

The IRS issued Notice 2020-65 for deferring the 6.2% employee's Social Security in President's Memorandum dated August 8, 2020.

The theory behind the deferral was the president wanted to assist taxpayers in their financial obligations and help stimulate the economy due to the pandemic.

The deferral memorandum encourages employers to forgo the 6.2% FICA withholding on employee's payroll checks effective with their first payroll beginning September 1, 2020. The employer is still responsible to remit its 7.65% obligation to the Treasury.

1. If the 6.2% is not withheld from the employee's paycheck, the employer is liable for remitting the deferred amount next year between January 1, 2021 and April 30, 2021.

2. If the employer does not withhold the 6.2% and the employee leaves before December 31, 2020, the employer is liable for remitting the deferral amount of FICA tax to the IRS.

   The employer has limited resources on collecting the deferral amount from the employee. Is it cost effective for the employer to file a lawsuit against the employee?

   One employer option is to deduct the deferred amount from the employee's last pay check (if funds are available) and permitted by law. Think of companies like Walmart who had a number of turnovers during the deferral period.

3. A number of larger companies have decided **NOT** to follow the president's memorandum due to the tax liability issue.

4. The National Finance Center (NFC), which provides payroll services to over 600,000 federal employees, will comply with the deferral for those under the income threshold amount. Wright Patterson Air Force Base (a part of NFC), who employs thousand of workers, will comply with the deferral for their military and civilian employees.

5. The payroll threshold is wages or compensation payable during any bi-weekly pay period generally less than $4,000 during the period September 1, 2020, to December 31, 2020. The maximum repayment is approximately $1,500.

6. QuickBooks and other payroll software companies have decided **NOT** to comply with updating their payroll software. Users would have to manually override the program to defer the FICA 6.2% withholding. How would this affect forms 94x?

7. Additional guidance was issued on October 31, 2020, on how to report the deferral on the employee's W-2. The employee's FICA box would reflect the actual amount withheld for **2020**. In **2021**, the employer must file **2020** corrected Forms W-2C/ W-3C by adding the deferral amount to the previously FICA amount reported in box 14. **The employee is instructed not to file an amended return for 2020 to report the corrected W-2 unless the employee exceeds the FICA limit OR by multiple employers**.

8. Another option to avoid the employee from remitting the deferral in 2021 is the payroll officer could withhold the 6.2% as a misc. deduction on its books. The employer would then write a check back to the employee if the deferral is forgiven next year. The president has expressed he will seek Congressional approval to forgo the deferral if reelected.

Obviously, the employee will see no increase in his/her payroll check but will receive a check from the employer in 2021 if it is forgiven. This option will work best for very small employers with only a few employees. ATS is using this option for its one employee.

9. This is a "no-win" situation for employers:

a. There is limited employer recourse on collecting the deferred amount (September 1 — December 31, 2020) when an employee leaves the company prior to April 30, 2021, **AND/OR**

b. If the employer does not withhold, will it face disgruntled employees' when the deferral is withheld from the employees' checks in 2021?

The employee usually does not understand the legal aspects but only remembers the president said they will see a 6.2% increase in their take-home pay. They will not remember the deferred amount must be paid back in tax year 2021.

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