

# NWYC TaxFax

## An Update on Tax Issues that Affect You and Your Business

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### CARES Act: Initial Overview of Tax-Related Items

The stimulus package is in place and contains critical assistance for small businesses and individuals. This will be a general overview in the first of a series of updates.

#### Tax Rebate Checks

Much anticipated, the Treasury will issue one-time (at least for now) tax rebate checks of \$1,200 per individual and \$500 per child, for those who have filed tax returns. They will be based on the adjusted gross income on your 2019 individual income tax return if filed, 2018 if not. The full rebate amount is available for those with adjusted gross income (AGI) at or below \$75,000 (single), \$112,500 (head of house), and \$150,000 (joint).

NOTE: If you use direct deposit for your filing method, you will receive your rebate via direct deposit.

#### Eases Restrictions on Retirement Account Use:

It suspends the 10% penalty on 401k and IRA early withdrawals when they are coronavirus-related and taken in 2020. The cap on these distributions are \$100,000 and is retroactive to January 1. This will allow access to cash flow without being harshly penalized.

Those over 70 1/2 do not have to take the forced annual withdrawal from retirement accounts in 2020. The technical term for this is “required minimum distribution”. The purpose is to allow capital to remain invested.

#### Delay Employer Payroll Tax Payments:

Small business employers can delay payment of 2020 payroll taxes until 2021 and 2022.

#### Restores the Carryback of Business Losses:

In order to generate cash flow, this bill reinstates, retroactively, the ability to carry back business losses (NOLs) incurred in 2018, 2019, and 2020 to the previous 5 years. Currently, NOLs can only be carried forward to offset taxable income.

## Restores Accelerated Write-Off of Property

Left out of the 2017 Tax Reform bill, this restores accelerated expensing of investments in real property improvements on a retroactive basis. This will allow higher write-offs to businesses that made these investments in 2019 and creates refunds if made in 2018.

## Tax Credit for Maintaining Employment

Small businesses of all sizes that face economic hardship due to the coronavirus crisis, yet continue to pay furloughed employees, are eligible for a 50% credit on up to \$10,000 of wages paid to those employees. Objective is to help keep your workers around for when the crisis has ended.

## Small Business Access to Cash:

\$350 billion of funding is being provided for Small Business Administration (SBA) loan guarantees and other funding. There are meaningful changes to the existing SBA program:

- Substantially loosens the barriers in obtaining funding such as removing loan guarantees, relaxes credit check rules, expanding the payback period;
- Increases maximum loan amounts;
- Expansion on the type of business expenses the funds can be used to fund;
- Suspension of SBA loan payments for six months for those who have current loans; and
- Loan forgiveness for those who maintain employees and use the funds for expenses such as payroll, interest, rent and utilities.

NOTE: We will provide a much more detailed review of this provision in the coming series.

## Expanded Use for Health Savings Arrangements:

The IRS recently announced that those with Health Savings Arrangements (HSAs) can use the plan to pay for testing and treatment of COVID-19 **without first meeting the minimum deductible**.

## Additional Helpful Information for Your Business

**[H.R.6201: Tax Provisions & Payroll Credits](#)** (One Page Summary)

**[Summary of GOP's \\$2 Trillion Bill that Adds Cash for Bailouts, States, Transit](#)**

**[Unemployment Insurance and COVID-19](#)**

**[H.R.6201 One Page Summary](#)**

Small business owners in all U.S. states and territories are currently eligible to apply for a

low-interest loan due to Coronavirus (COVID-19). [Click here to apply](#)

[Employer Paid Leave Requirements](#)

[Employee Paid Leave Rights](#)

IRS:

- [Coronavirus Tax Relief](#)
- [Filing and Payment Deadlines Questions and Answers](#)