



# COVID-19 Guidance Coronavirus Aid, Relief and Economic Security Act (CARES)

Dear KSDT Clients, Friends and Colleagues;

First and foremost, we hope that you and your family are safe and healthy!

It goes without saying that we are in unprecedented times. Here at KSDT CPA, we are doing our part to “Flatten the Curve” and reduce the spread of COVID-19 (coronavirus).

Over the years, our firm has invested heavily in technology enabling us to continue to serve our clients uninterrupted and at full capacity, while putting our people first.

Changes and updates are happening at a record pace and the environment is a fluid process. We are processing the information as it becomes available and would like to help your business understand all of the changes such as the “Coronavirus Aid, Relief and Economic Security Act” (CARES), which goes into effect March 27, 2020, covered in this guidebook.

KSDT is here to stand with you as we get through this.

Please do not hesitate to reach out for guidance.

Our thoughts and prayers for everyone’s continued health and safety



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The following summary is intended to provide guidance to those businesses affected by COVID-19 and is not intended to provide legal advice. The details enclosed are based upon the most current information at the time of this publication but are subject to change.

Sources:  
Congress.gov, US Chamber of Congress





## Overview

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

**President Trump Signs \$2 Trillion Aid Package to aid in the financial recovery from COVID-19**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, H.R. 748, signed into law by President Trump on Friday, March 27, 2020, and provides a combination of tax and economic relief measures as part of a \$2 trillion aid package designed to help the economy as it recovers from the financial effects of the coronavirus pandemic.



# Recovery Rebates

On 3/30/2020, the Treasury Department and the Internal Revenue Service announced that distribution of economic impact payments will begin in the next three weeks and will be distributed automatically, with **no action required for most people**. As of 4/1/2020: The U.S. Department of the Treasury and the Internal Revenue Service today announced that Social Security beneficiaries who are not typically required to file tax returns will not need to file an abbreviated tax return to receive an Economic Impact Payment. Instead, payments will be automatically deposited into their bank accounts.

## WHO IS ELIGIBLE FOR ECONOMIC IMPACT PAYMENTS?

- Tax filers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns will receive the full payment.
- For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.
- Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of **up to \$1,200 for individuals or \$2,400 for married couples**. Parents also receive \$500 for each qualifying child.

### How will the IRS know where to send my payment?

The vast majority of people do not need to take any action. The IRS will calculate and automatically send the economic impact payment to those eligible. For people who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment. The economic impact payment will be deposited directly into the same banking account reflected on the return filed.

### The IRS does not have my direct deposit information. What can I do?

In the coming weeks, Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail.

### I have not filed my tax return for 2018 or 2019. Can I still receive an economic impact payment?

Yes. The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return.

### How can I file the tax return needed to receive my economic impact payment?

IRS.gov/coronavirus will soon provide information instructing people in these groups on how to file a 2019 tax return with simple, but necessary, information including their filing status, number of dependants and direct deposit bank account information.



## For Individuals:

### Penalty-free Retirement Withdrawals.

The CARES Act allows a taxpayer to take a “coronavirus-related distribution” or loan of up to \$100,000 in the year 2020 free from penalty.

A “coronavirus-related distribution” is a distribution made during 2020:

- To an individual who is diagnosed with SRS-COV-2 or COVID-19 by a test approved by the CDC
- whose spouse or dependent is diagnosed with one of the two diseases, or
- who experiences adverse financial consequences as a result of being quarantined, furloughed, or laid off, or having work hours reduced, or being unable to work due to lack of child care

A distribution taken under this provision can be recontributed to the plan within three years to avoid income tax on the amount and continue tax-free growth of the money

While a qualified distribution escapes the 10% penalty, it doesn't escape the income tax.

- The income can be spread over a 3-year period beginning with 2020

### Charitable Contributions

A suspension of charitable contribution limits applies for 2020.

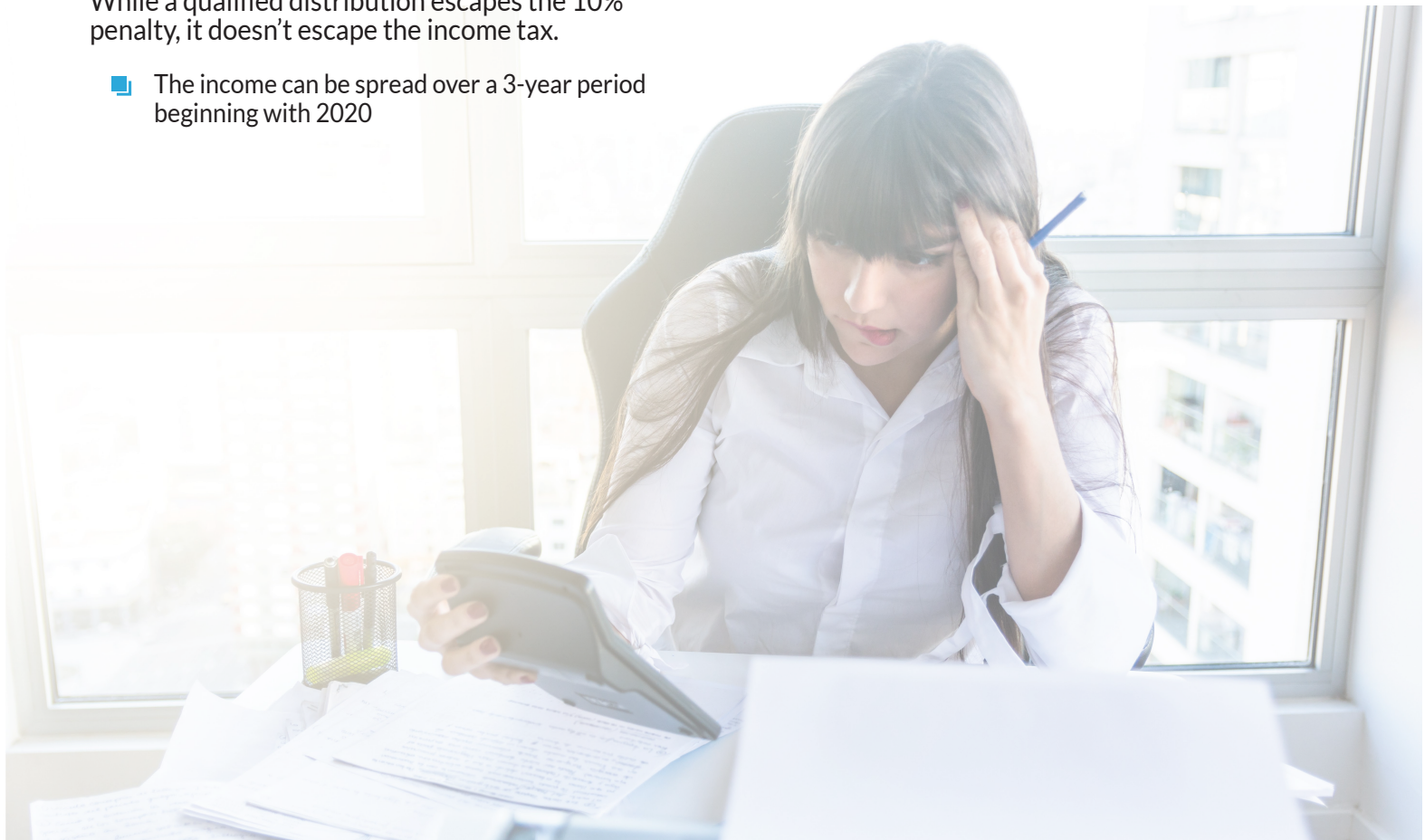
- Charitable contributions by individuals are encouraged by removing the limitation on deductions for individuals who itemize deductions and allowing a \$300 for those who don't itemize

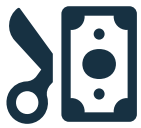
### RMD Waiver

A one-year waiver for the 2020 required minimum distribution (RMD) from qualified plans and traditional IRAs.

### Student Loan Payments

An employer can pay up to \$5,250 in 2020 of an employee's student loan obligation on a tax-free basis.





# Tax Relief

## For Businesses:

### Employee Retention Credit

To help retain employees and keep them employed, Congress has provided a refundable employer retention credit equal to 50% of qualified wages paid after March 12, 2020 and on or before December 31, 2020.

- This credit can be used to offset quarterly employment taxes
- Credit is limited to \$10,000 per employee and cannot consider payments for which credit is received under the Families First Act
- Employers whose gross receipts are less than 50% of their gross receipts for the same quarter in the prior year are also eligible, until their gross receipts exceed 80% of their gross receipts in the same quarter in the prior year
- For employers with more than 100 employees, wages eligible for the credit are wages that the employer pays employees who are not providing services due to the suspension of the business or a drop in gross receipts
- For employers with 100 or fewer employees, all wages paid qualify for the credit



Eligible employers are employers who were carrying on a trade or business during 2020 and for which the operation of that business is fully or partially suspended due to orders from an appropriate government authority limiting commerce, travel, or group meetings due to the COVID-19 outbreak



Under the 2018 tax reform (TCJA), a business net operating loss (NOL) was no longer allowed to be carried back to a prior year and had to be carried forward to the next tax year. The carryforward loss deduction was limited to 80% of the carryforward year's taxable income

### NOL Carryback Reinstated

The carryback of losses incurred in 2018 through 2020 has been reinstated and expanded to five years, and the limitation on the amount of taxable income that can be offset is repealed for income generated in 2019 and 2020.

- The intent is to allow businesses with financial problems to file for tax refunds from carryback years when they were profitable and had paid income tax

### Employer Payroll Taxes Delayed

Employers can delay depositing their share of payroll taxes for 2020, with 50% due on 12/31/2021 and the balance due by 12/31/2022. For self-employed individuals, 50% of self-employment tax can be deferred.

### Limitations on Business Interest

The limitation has been increased from 30% of adjusted taxable income to 50% for 2019 and 2020 for corporations and allows an election to use 2019 adjusted taxable income in calculating the 2020 limitation.

### Limitation on Losses

Retroactively delays the effective date of the excess active business and farming loss limitation rules so that they apply beginning 1/1/2021 instead of 1/1/2018.

### Prior Year Credit for Corporations

Allows corporations to obtain a refund of 100% of AMT credits in 2019 and provides an election to accelerate claims to 2018, with eligibility for accelerated refunds.

### Health Plans

The rules for high-deductible health plans (HDHPs) are amended to allow them to cover telehealth and other remote services without charging a deductible.





## Loan Programs

# PAYCHECK PROTECTION PROGRAM

Part of the CARES Act is designed to provide payroll protection for 8 weeks, keeping people employed and preventing layoffs.

## HOW MUCH CAN I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.

(Limited to \$8,333 per employee/per month)

## WHO IS ELIGIBLE?

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- Certain franchises and food service businesses
- Sole proprietors, independent contractors, or self-employed individuals
- Certain Tribal businesses
- Certain Veterans Organizations



## HOW DO I APPLY?

Loan is made through SBA approved lending institutions. Please reach out to your professional lending institution for application instructions.

## CAN THE LOANS BE FORGIVEN?

A borrower is eligible for loan forgiveness equal to the amount the borrower spends on the following items during the first 8-weeks beginning on the date of the origination of the loan:

Examples include:

- Payroll costs (including insurance premiums)
- Interest payments on any covered mortgage obligation incurred before Feb. 15, 2020
- Payment of rent under a lease in force prior to Feb. 15, 2020
- Utility payments for which service began before Feb. 15, 2020

Forgiveness may be limited if payroll is reduced

## additional:

- The loan can be used to refinance recent SBA Disaster loans
- There are no personal guarantees and no collateral is required
- Loans are due in 2 years
- 1 % fixed interest rate
- These loans are to be applied for through a local financial institution
- There will be no fee to apply and no pre-payment penalties



## Loan Programs

# ECONOMIC INJURY DISASTER LOAN (EIDL)

## HOW MUCH CAN I BORROW?

Loans are available for up  
to \$2 Million

## EIDL FACTS:

- Loan cannot exceed \$2 million.
- Interest rate will be capped at 3.75%.
- Repayment term can be up to 30 years.
- This will be funded by the U.S. Treasury and can be used for working capital issues.
- There will be relaxed financial information requirements for applicants.
- There will be no fee to apply and applicants are not obligated to accept the funds

### Q: Can I receive funds from both PPP and EIDL Loans?

Yes, as long as the funds are not used for the same purpose

## HOW DO I APPLY?

Small Business Administration (SBA) website:

<https://disasterloan.sba.gov/ela/>

[Choose EIDL as loan choice]

- 1) Determine eligibility
- 2) Gather documents
- 3) Apply

## ARE EIDLs NEW?

These loans aren't new. They've always been available in the event of disaster. However, according to Alex Contreras, Director of Preparedness, Communication, & Coordination at the Office of Disaster Assistance for the SBA, this is the first time a virus or pandemic event has been defined as a disaster.

## HOW DID THE CARES ACT EXPAND EIDL?

- EIDLs can be approved by the SBA based solely on an applicant's credit score.
- EIDLs smaller than \$200,000 can be approved without a personal guarantee.
- Borrowers can receive \$10,000 in an emergency grant cash advance within three days that does not need to be repaid if the EIDL is denied
- It expands access to sole proprietors or independent contractors, as well as tribal businesses, cooperatives, and ESOPs with fewer than 500 employees and all non-profits including 501(c)(6)s.



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-Our KSDT Partners and their teams are standing by



## HOW MAY WE HELP YOU?

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