



## Coronavirus Stimulus Package CARES Act

### CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY

#### WE ARE HERE FOR YOU!

*We hope you are still healthy and safe! It's been a stressful few weeks for our state and our whole country. We at Silver Bridge CPAs are complying with the Governor Little's shelter-in-place order but also working to maintain our usual level of service!*

*Though our office is closed to the public, we continue to prepare tax returns and provide payroll, bookkeeping, and consulting services to meet your needs! If you have questions or concerns about our availability, please [contact us](#).*

**Congress passed a major piece of Coronavirus tax relief legislation on Friday, March 27, 2020: The Coronavirus Aid, Relief, and Economic Security (CARES) Act.**

**Following is a summary of some provisions you need to know. The first section is for all individual taxpayers. Scroll down for a section on businesses.**

#### KEY FEATURES OF THE CARES ACT FOR INDIVIDUALS

##### Recovery Rebates for Individual Taxpayers

These are intended to supplement the incomes of Americans who may be struggling financially due to work disruptions.

##### Amount:

- **Individuals** are eligible for up to **\$1,200**,
- **Joint filers** are eligible for up to **\$2,400**
- The credit increases **\$500 for each child** under the age of 17.

Income Limitation *The rebate begins to phase out at \$5 for every \$100 in income at:*

- \$75,000 for single filers
- \$112,500 for head of household filers
- \$150,000 for married filing jointly filers.

##### Calculation:

- These are advance refunds of credits on **your 2020 taxes**.
- Initial payouts will be based on **your most recently filed tax return** (2018 for some



taxpayers, 2019 for others. If you are just now filing your return, the speed at which the IRS processes your return may determine which year is used to calculate your initial credit).

- When you file your 2020 tax return, your rebate can be adjusted at that time for a change in your income. If your 2020 income is lower, **you may receive additional rebates** on your 2020 return.
- Rebate over-payments are expected to be forgiven, although we await initial guidance on this point as the law is unclear.

## Additional Unemployment Funding

Generally, unemployment is determined by each state. However, some federal funding will supplement state unemployment benefits.

- For those collecting unemployment, the law adds **\$600 per week from the federal government** on top of whatever base amount a worker receives from the state. The boost will last four months.
- The law also **adds 13 weeks of additional unemployment insurance**. This extra time will apply in 2020 only.
- Usually self-employed or contract workers can't apply for unemployment. The law permits **self-employed workers** to claim the additional weekly \$600 benefit through the end of 2020.

## Temporary Relief from Early Withdrawal Penalties for Retirement Plans

- For 2020 only, individuals can withdraw **up to \$100,000** from their retirement accounts **without paying an additional 10% penalty**. If the funds are repaid to the account within three years, taxpayers can elect to treat the withdrawal as a rollover, and no tax will be imposed. If the withdrawal is not treated as a rollover, it will be treated as taxable income and subject to tax over a three-year period. This is intended to help individuals who choose to withdraw retirement funds due to Coronavirus-related hardships such as a reduction in work hours or business revenue.
- We would encourage our clients to try to avoid taking early retirement distributions, but if you feel you must, it will benefit you to minimize the tax impact of doing so.

## Temporary Waiver of RMDs (Required Minimum Distributions)

- If you don't need to take money out of retirement this year, you don't have to. The CARES Act has **waived RMDs for 2020** and allows you to leave your money in your IRA and wait for the market to recover from its recent losses. This waiver applies to inherited IRAs as well as IRA's for individuals over the age limit (recently increased to 72 from 70 ½).

## Extra Charitable Deduction

- To help encourage charitable giving, the CARES act allows a **\$300 above-the-line deduction for charitable giving**. This allows you to get a benefit for your charitable donation even if you don't itemize deductions.

## KEY FEATURES OF THE CARES ACT FOR BUSINESSES



### New Small Business Association (SBA) Loan Programs

- **SBA Express loans** would be available for businesses or nonprofits with fewer than 500 employees. Turnaround time on these loans would be only 36 hours and they can be for up to \$1 million. Payments can be deferred for up to six months. This is a type of 7(a) loan.
- **SBA Paycheck Protection Program loans** would be available for businesses or nonprofits with fewer than 500 employees. Turnaround time on these loans would be two weeks. Loans can be up to 250% of an employer's average monthly payroll, capped at \$10 million. Payments made for up to **8 weeks of payroll**, or for **rent, mortgage interest, or utilities** between February 15, 2020 and June 30, 2020 **could be eligible for forgiveness**. Reductions in employee compensation would reduce eligibility for loan forgiveness. Payments can be deferred for up to 12 months. This is a type of 7(a) loan.
- Keep in mind that the SBA also offers an **Economic Injury Disaster Loan** program, available to small businesses or nonprofits with fewer than 500 employees. Turnaround time on these loans is 6 weeks to 3 months, but **advance cash grants of \$10,000 are available within 3 days** if requested. If the cash grant is used to maintain payroll and monthly expenses it **may be eligible for forgiveness** also. This type of loan is capped at \$2 million.

### Employee Retention Payroll Tax Credit

- Employers whose business is fully or partially suspended due to a government order related to the Coronavirus, or who remain in operation but experience a decrease in gross receipts of 50% or more compared to the same quarter last year, are eligible to receive a **refundable credit against the employer's share of payroll taxes**.
- For each calendar quarter of 2020 or until gross receipts exceed 80% of what they were for the same quarter in the previous year, the **employer can receive a credit equal to 50% of qualified wages (inclusive of health insurance) up to \$10,000 per employee per quarter**.
- The credit is refundable if it exceeds the employer's employment taxes for a given quarter. For businesses with **100 or fewer employees**, this would apply to **all wages paid**. For firms with **more than 100 employees**, the credit would apply only to **employees retained but not currently working**.
- Qualified wages for this credit would not include the new sick leave required by the Families First Coronavirus Response Act, which qualify for other tax credits. Businesses taking out an SBA 7(a) paycheck protection loan would not be eligible to claim the credit.

### Payroll Tax Delays

- Another measure intended to provide small businesses with relief is a significant delay in the deadline for making **employer-side payments of Social Security tax on 2020 wages**. 50% of 2020 payroll tax will be **due December 31, 2021** and the remaining 50%

will be **due December 31, 2022**. Deferring payment of payroll taxes would not preclude taking advantage of new payroll tax credits under the CARES Act or the Families First Coronavirus Response Act. However, no payroll tax deferral is available for employers who take out an SBA 7(a) paycheck protection loan.

### Advance Refunding of Credits for Paid Sick and Family Leave

- The Families First Coronavirus Response Act mandated employer-paid sick leave of up to 10 days for small employers (with 500 employees or less). Eventually credits could be applied toward payroll taxes to offset the cost. The CARES Act provides for **advance refunds of these credits** to help employers with cash flow. We are awaiting further information as to how to apply for these advance credits.

### Net Operating Loss Restrictions Eased

- Congress has decided to greatly reduce the restrictions for claiming net operating losses (NOLs). Net operating losses earned in 2018, 2019, or 2020 can be carried back **up to five years**. The Tax Cuts and Jobs Act limited net operating loss offsets to of 80% of taxable income. That limit is also suspended and has been suspended through 2021. NOLs can offset all taxable income for carryback and carryforward years until 2022.

### A Long-awaited Legislative Fix Was Included in the CARES Act

- In the Tax Cuts and Jobs Act, Congress removed the 15-year classification for qualified improvement property. After the law was passed, members of Congress stated that they had done so in error and that a technical correction was needed to reinstate it. The CARES Act makes that technical correction and permits **qualified improvement property**, such as interior improvements of buildings, to be **immediately expensed** (as 15-year property, qualified for bonus depreciation) in the case of restaurant, retail, and most other property, or depreciated over 20 years in the case of a real property trade or business.

## OFFICE HOURS

**OUR OFFICES ARE CURRENTLY CLOSED TO THE PUBLIC FOR THE HEALTH AND SAFETY OF ALL OF OUR CLIENTS AND STAFF**

**We are available by phone and email 8:00 am to 5:00 pm Monday - Friday.**

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