

## SMIB MANAGEMENT Presents

### Teleconference

### Coronavirus

### Taxes, Business and Financial Resources

Presenter

James Harnsberger, Enrolled Agent

Website

[www.SMIBManagement.com](http://www.SMIBManagement.com)

Download the FREE Guide to this teleconference in our BLOG

Point of Contact

Susan Harnsberger, EA

(858) 616-7400

[Susan@SMIBManagement.com](mailto:Susan@SMIBManagement.com)

Ellie Miller

(619) 592-2594

[Ellie@SMIBManagement.com](mailto:Ellie@SMIBManagement.com)

Topics

Financial Issues to consider during the COVID-19 Event

Business interruption

Creditors and debt obligations

Losses incurred

Tax Stimulus Checks to be issued

IRS Rules Changes – Significant Changes in IRS Rules

Individual Taxpayers – Proposed New Stimulus

Business Taxpayers – Proposed New Stimulus

For updates and assistance [Info@SMIBManagement.com](mailto:Info@SMIBManagement.com)

Highlights

In this very critical and uncertain time SMIB wants to provide each client with updated and accurate information in order that we can help reduce the confusion and misinformation.

Regardless of having a business or working in your job, every person in some manner will be financially impacted by the current COVID-19 event. For that reason our desire is to provide you with valuable information and guidance in order that you can take steps to be prepared and know what to do.

### Financial Issues to Consider

During this current COVID-19 event there are many financial issues that can create frustration, confusion and in some cases even fear of not knowing what to do.

Mortgage and Rent  
Creditors  
Financial Inventory  
Spending adjustments  
Available cash, liquidity  
Selling assets, stocks

### Business Interruption

If you own a business you have been and will continue to be affected by the COVID-19 event that is still unfolding. If you have employees not only will your business be impacted, the lives of your employees will also be impacted in many ways financially. The following items are some things you can consider if your business has been interrupted by this event:

- Inventory all available cash
- Short Form Balance Sheet
- A/P accounts list of creditors
- A/R accounts list of monies owed
- Forbearance and deferral plans
- Tax Filings and Tax Payments
- Insurance policies
- Unemployment claims
- Loans, SBA and other financial resources

### Creditors and Debt Obligations

Everyone, including business owners, should be aware that virtually every bank, lending institution, credit card company and auto loan company are making some arrangements to implement some level of forbearance for monthly debt obligations. Some of the proactive things you can do or consider doing are:

- Call every creditor to find out what if any relief is available
- Ask about impacts to your credit report
- Consider 1 or 2 months at minimum payments
- Check your statements regularly
- Avoid increasing balances owed if possible

## Losses Incurred

No doubt some people with impacts from COVID-19 will incur losses. The amount and type of loss you incur could have tax implications; as such we will break the types of losses down for tax purposes so that you may better track financial recordkeeping.

### Types of Losses

- Ordinary Loss
- Capital Loss
- Casualty Loss
- Theft Loss

In addition it is also possible that many will have unexpected expenses as a result of the impacts of COVID-19. For these issues, they may, depending on circumstances, fall into insured and non-insured losses and losses that may be covered by one of many federal and state programs given the disaster status some regions have been given.

## Tax Stimulus Checks to be provided

The IRS will issue what we are calling a “tax rebate” based on different legislation that has been passed and that may be pending at the time this update was prepared.

Phase 1	April 6	\$1,000 per taxpayer plus \$500 per dependent child
Phase 2	May 7	\$1,000 per taxpayer plus \$500 per dependent child
Phase 3	Pending	This bill is pending; see below at <b>Individual Taxpayer Provisions</b>

## IRS Rules Change affecting many taxpayers

On March 19, 2020, U.S. Senate Republicans released draft legislation—the **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)**—to provide emergency assistance and health care response for individuals, families and businesses affected by the novel coronavirus disease 2019 (COVID-19) outbreak. This is expected to be the third legislation package enacted in response to the COVID-19 pandemic after President Trump signed the **Families First Coronavirus Response Act** into law on March 18, 2020.

The CARES Act proposes to extend the April 15, 2020, taxpayer filing due date to July 15, 2020. However, U.S. Department of the Treasury Secretary Steven Mnuchin and the IRS already **announced** this filing extension on March 19, 2020, following **the publication of Notice 2020-17, which initially only extended the tax payment deadline to July 15, 2020**. As a result, taxpayers now have an additional 90 days to file and make payments without interest or penalties. Furthermore, **Notice 2020-18**, released on March 20, 2020, removed the payment caps (\$1 million for individuals and \$10 million for corporations) originally in place under Notice 2020-17.

## **Individual Taxpayer Provisions**

Below is a summary of the other proposed tax-related highlights of the CARES Act (subject to change as this bill moves through the legislative process).

The proposed legislation currently includes the following provisions for individual taxpayers:

- Recovery checks of up to \$1,200 would be sent to taxpayers. Married couples filing jointly are eligible up to \$2,400, with an additional \$500 for every child. Based on a taxpayer's 2018 adjusted gross income, this benefit would begin to phase out at \$75,000 for single taxpayers and \$150,000 for joint filers, and then completely phase out for single taxpayers with income exceeding \$99,000 and joint filers with income exceeding \$198,000.
- There would be a delay of estimated tax payments due from date of enactment until October 15, 2020. Essentially, this means individual taxpayers would be able to defer their first, second and third quarter estimates (normally due at April 15, June 15 and September 15, respectively) until October 15, 2020.
- Consistent with previous disaster-related relief, the CARES Act waives the 10 percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for COVID-19 related purposes.
- For taxable years beginning in 2020, individuals who elect not to itemize can receive a deduction for qualified cash charitable contributions, up to \$300.
- Individual taxpayers who elect to itemize on their 2020 tax returns would not be subject to the 60 percent adjusted gross income (AGI) limitation on cash charitable contributions. Instead, those contributions would be limited to the taxpayer's total AGI.

## **Business Owner Provisions**

Below is a summary of the other proposed tax-related highlights of the CARES Act (subject to change as this bill moves through the legislative process).

The proposed legislation currently includes the following provisions for businesses:

- Corporate taxpayers would have the option to postpone estimated tax payments, due after the date of enactment of the CARES Act, to October 15, 2020.
- Employers and self-employed individuals would be able to defer payment of the employer share of Social Security tax. Half the deferred amount would be due by December 31, 2021, and the other half due by December 31, 2022.
- The CARES Act would increase the 10 percent of taxable income limitation for charitable contributions to 25 percent for taxable years ending after December 31, 2019.
- The current **net operating loss (NOL) rules**, put in place by the *Tax Cuts and Jobs Act* (TCJA), would be temporarily revised to allow losses arising in tax years 2018, 2019 or 2020 to be carried back five years. In addition, the provision limiting NOLs to only 80 percent of a taxpayer's taxable income would be suspended for taxable years beginning before January 1, 2021, allowing companies to fully offset taxable income by such carrybacks or carryforwards.
- The CARES Act also would provide a technical correction to the TCJA to retroactively align the effective date of the NOL limitation and NOL carryback/carryforward provisions.
- For non-corporate taxpayers, the limitation on excess business losses imposed by the TCJA would be retroactively postponed and applied only to taxable years beginning after December 31, 2020.
- Corporations would be able to accelerate the recovery of refundable AMT credits, originally intended to be made available over several years.
- The TCJA created a new **limitation on business interest expense deductions** for tax years beginning after December 31, 2017. The CARES Act would temporarily modify the 30 percent limitation—as originally provided in the TCJA—to 50 percent. This provision would affect taxable years beginning in 2019 or 2020 and allow businesses to increase liquidity with a reduced cost of capital. In addition, businesses may elect to use their 2019 income to calculate the adjusted taxable income to which the 50 percent would apply.
- The CARES Act includes a highly anticipated technical correction to the TCJA that would allow taxpayers to apply the accelerated bonus depreciation rules to qualified improvement property.

Members of Congress have indicated they intend to move quickly to pass the next stimulus bill related to the COVID-19 outbreak. However, any proposed legislation would need to pass in both the House of Representatives and the Senate prior to becoming law; as such, all of the above provisions are subject to change.

#### HOW WE CAN HELP

SMIB Management would like to provide every client or every prospective client with a clear path forward by providing assistance in any of the many areas where you or your business may have resources available but are unsure of what they are or how to access these resources.

**We suggest that if you want more information to send us an email at [info@smibmanagement.com](mailto:info@smibmanagement.com)**

Once we receive your email our response team will reach out and do a conference call with you and explain any number of special COVID-19 Response Plans we have developed that would provide you with assistance. Certain types of businesses for example will have special waivers that can be implemented to streamline the process in seeking assistance or access to these programs.

#### WEEKLY ALERTS

**To receive our weekly COVID-19 TAX ALERTS simply email us at [Alerts@SMIBManagement.com](mailto:Alerts@SMIBManagement.com)**